

CITY OF COVINA, CALIFORNIA

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2010

Peggy A. Delach, Mayor

John King
Mayor Pro Tem



Walter Allen III
Council Member

Robert Low
Council Member

Kevin Stapleton
Council Member

Daryl Parrish, City Manager

Prepared by the City of Covina Finance Department

CITY OF COVINA, CALIFORNIA
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 For the fiscal year ended June 30, 2010

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CITY OF COVINA

125 East College Street ● Covina, California 91723-2199

December 22, 2010

Honorable Mayor and City Council
City of Covina
Covina, California

The Comprehensive Annual Financial Report of the City of Covina, California, as of June 30, 2010 and for the year then ended, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations and cash flows of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The financial statements are the responsibility of the City of Covina's management. Completeness and reliability of the information contained in this report is based upon a comprehensive framework of internal controls that is established for this purpose. The costs of internal control should not exceed the anticipated benefits. The objective of internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Management's Discussion and Analysis (MD&A) interprets the financial reports by analyzing trends and by explaining changes, fluctuations, and variations in the financial data. In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the City. MD&A complement this letter of transmittal and should be read in conjunction with it.

Independent Audit. City policy requires that its financial statements be audited by a certified public accountant. Macias Gini and O'Connell LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Covina's financial statements for the fiscal year ended June 30, 2010. The auditor's report on the basic financial statements and required supplementary information is included in the financial section of this report.

The City of Covina is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Not for Profit Organizations*. A separate single audit report includes the schedule of expenditures of federal awards, auditors' report on the internal control structure, and compliance with applicable laws and regulations.

Profile of the City of Covina

The City of Covina is a mature, suburban city located twenty-three miles east of downtown Los Angeles in the eastern portion of the San Gabriel Valley. The City encompasses an area of approximately seven square miles and is virtually completely built out. There are four major retail areas, three industrial areas, and an office park and high rise. The current population is 49,622 according to the State of California Department of Finance.

The City is a general law city, incorporated in 1901. The City Council is composed of five members elected biannually at large to four year alternating terms. The Mayor and Mayor Pro Tem are selected by the City Council.

The City has a Council/Manager form of government. The City Manager is appointed by the City Council to manage the daily affairs of the City and to implement policies established by the Council.

This report includes all the funds of the City. The City provides a full range of services including police and fire protection; construction and maintenance of highways, streets and infrastructure; library and recreational services;

public transportation; planning and economic development; housing; and administrative services. In addition to general municipal activities, the City provides water, sewer, and refuse and recycling collection services.

The Council is required to adopt a final budget by June 30th of each fiscal year. The annual budget serves as the foundation for the City of Covina’s financial planning and control. The budget is prepared by fund, program (e.g., public safety), and activity (e.g., police patrol). Department heads may transfer resources within each activity as needed. The City Manager may transfer resources between activities within a fund. Transfers between funds require approval from the City Council.

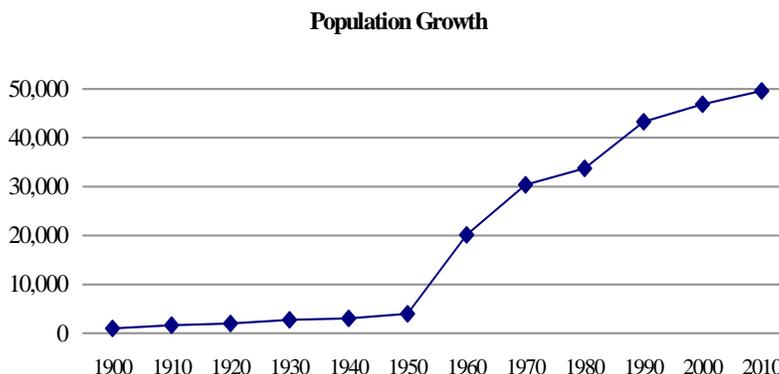
In accordance with the reporting entity definition of the Governmental Accounting Standards Board, the City has included the Covina Public Finance Authority and Covina Redevelopment Agency in the financial report. The Covina Redevelopment Agency was created in 1969, pursuant to the State of California Health and Safety Code, Section 33000 to provide for certain economic development activities and is governed by the City Council.

Several state and county agencies, and school districts provide services to the City, but do not meet the established criteria for inclusion, and accordingly are excluded from this report.

Economic Condition and Outlook

The prospects for the future of the City of Covina are good. The population has grown as follows:

<u>Year</u>	<u>Population</u>
1900	1,000
1910	1,652
1920	1,999
1930	2,775
1940	3,043
1950	3,956
1960	20,124
1970	30,380
1980	33,751
1990	43,287
2000	46,837
2010	49,622



Source: City of Covina Planning Division and State Department of Finance.

Much of the local development of Covina occurred during the post-World War II building boom, which took place from the late 1940’s through the 1960’s. Prior to the building boom, Covina was a major citrus producing area.

The character of the City of Covina is one of predominantly low to medium density residential and low-intensity commercial and light industrial uses. Single-family residential properties are the most common use. In addition, there are many commercial establishments, particularly community and neighborhood shopping centers, and a relatively large number of small to medium-sized professional offices and light manufacturing operations. The local economy is based on a variety of service, retail, and light manufacturing businesses as well as government agencies.

The City’s economy always has been healthy, though relatively small in population and area. Covina consistently ranks high in retail sales tax generation and sales tax per capita among San Gabriel Valley cities. This is primarily due to the mix of retail businesses located in Covina. Despite being in the middle of the well-established San Gabriel Valley, Covina retains a small-town atmosphere. The nearby San Bernardino, Foothill, and Orange Freeways, and the Southern California Regional Rail Authority Metrolink Commuter Rail Line link the City to other areas of metropolitan Los Angeles.

The City of Covina is included in the Los Angeles-Long Beach Metropolitan Statistical Area. The following table summarizes the civilian labor force, employment and unemployment, and employment rate in the County and the City of Covina for calendar years 2006 through October 2010:

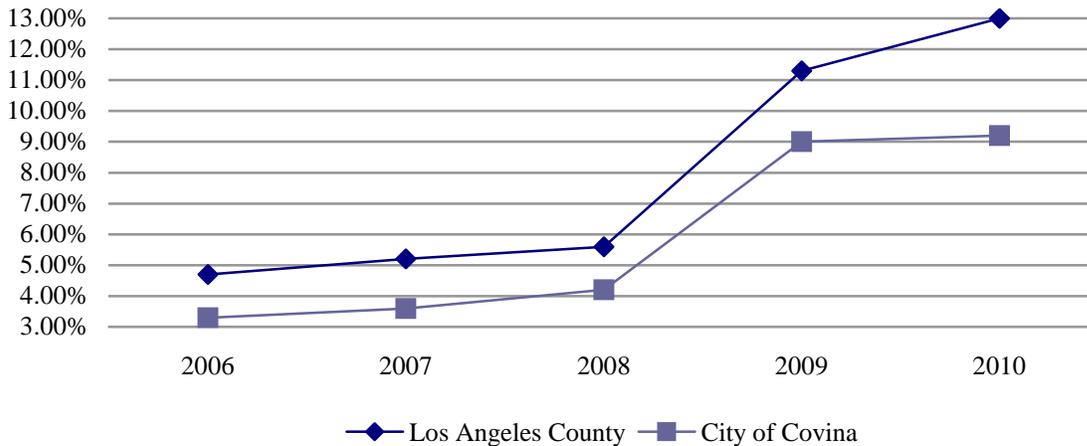
LOS ANGELES COUNTY AND CITY OF COVINA STATISTICAL AREA
Civilian Labor Force, Employment, Unemployment and Unemployment Rate
Annual Averages (000's) ⁽¹⁾

	2006		2007		2008		2009		2010	
	County	City								
Civilian labor force ⁽²⁾	4,861	26.2	4,975	26.7	4,995	26.3	4,971	25.7	4,909	25.7
Employment	4,632	25.3	4,717	25.7	4,717	25.2	4,410	23.4	4,272	23.3
Unemployment	229	0.9	258	1.0	435	0.1	560	0.2	637	2.4
Unemployment rate	4.7%	3.3%	5.2%	3.6%	8.7%	4.2%	11.3%	9.0%	13.0%	9.2%

⁽¹⁾ Not seasonally adjusted.

⁽²⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Unemployment Rate
Covina versus LA County



Source: Labor Market Information Division of the California State Employment Development Department. The City's average unemployment rate has been consistently lower than the Los Angeles County area average.

Long-term Financial Planning

As part of a financial strategic plan, the City Council developed the following budget policy guidelines for budgetary and financial planning purposes:

Program - Base Budget

1. Appropriations

- Each program will identify activities and the recommended appropriations
- Identify recurring vs. nonrecurring appropriations
- Identify general vs. restricted appropriations
- Continuing appropriations for year-end
 - o *Encumbrances and contractual commitments*
 - o *Grant, restricted donation and capital project appropriations are considered life-cycle appropriations*
 - o *All other appropriations shall lapse at year-end unless carried forward by City Council action*

2. *Estimated Revenues*

- Estimated revenues will be identified by fund, program and activity
- Fund types include general, special revenue, debt service, capital projects, enterprise and internal service
- Identify recurring vs. nonrecurring revenues
- Identify general revenues vs. restricted revenues

3. *Fund Balances/Working Capital*

- Program-base budget will calculate available fund balances and/or working capital available in the various funds
- Program-base budget will establish adequate reserves
 - *Capital needs*
 - *Offset economic hard times*
 - *Stabilize fluctuations in cash flow requirements*
 - *Emergency Situations*
- General Fund
 - *Minimum of 20% of operating expenses-reserve exclusive of risk management requirements*
 - *Excess reserves will be assigned for nonrecurring activities or capital improvements*
 - *Maintain general liability and worker's compensation reserves based on actuarial recommendations*
- Restricted Funds
 - *Reserves can be used for only restricted purposes*
 - *Excess reserves can be restricted for recurring and nonrecurring activities or capital improvements depending on the nature of the fund*

Program – Base Budget Will Link Resources with Results

1. *Identifying community needs for essential services*

2. *Describing the programs required to provide the essential services*

3. *Identifying the purpose of activities performed in delivering services*

4. *Establishing goals and objectives which define the nature and level of services required*

5. *Identifying resources required to perform program activities and accomplish goals and objectives*

6. *Setting standards to measure and evaluate*

- Output and outcomes of program activities
- Accomplishment of program activities
- Staffing levels
- Program activity revenue and appropriations
 - *Make budgetary and financial decisions on conservative estimates of revenues, expenditures and other financing sources and uses*
 - *The greater the uncertainty and/or volatility of the budgetary and financial estimates, the more conservative the estimates*

Program Base Budget-Change in Service

1. *The base budget is the required appropriation level needed to maintain the previous year budget service level*
2. *Change in service is the proposed increase or decrease in service level in the program-based budget activity*
3. *Increase in services shall be offset with new revenue or a corresponding decrease in other program services*
4. *Grants shall not have a negative impact on General Fund services*
5. *Future operating grants will not be funded by the General Fund unless there is a new revenue source or decrease in other program services*

Program – Base Budget Shall Be Balanced On a Long-Term Basis

1. *Ongoing and recurring costs shall be funded with ongoing and recurring revenues*
2. *One-time and nonrecurring costs shall be funded with excess ongoing revenues, available one-time revenues or excess reserves*
3. *One-time or nonrecurring revenues shall not fund ongoing cost*
4. *Current costs shall be recognized and funded in the current year, not deferred or funded in future years*
5. *Maintain current full costs providing City services*
6. *The General Fund shall try to maintain a minimum \$100,000 operating contingency for unanticipated events*
7. *Make conscious decisions about cost recovery and/or general tax subsidy of those services that benefit only a portion of the tax paying public*
8. *Review financial position based on a five-year financial profile analysis*
 - Formalize five-year capital improvement
 - Formalize five-year personnel need program
 - Formalize five-year operating program
9. *The purpose of the five-year financial plan*
 - Identify priorities
 - Service levels
 - Revenue sources
 - Trends
 - Future impact on decisions made today

Infrastructure Maintenance

1. *Identify preventive maintenance of infrastructure to minimize future expenditure*
2. *Amortize capital costs*
 - Replacing or expanding existing facilities and equipment
 - With respect to equipment, rates shall be established to recover the replacement cost of each item at the end of its useful life
 - Facilities shall be amortized to cover ongoing maintenance and cyclical repairs, and for the replacement or expansion of major structures

Exceptions

1. *City Council/Agency Board authorization required*
 - Emergencies

- Legal requirements
- Loans
- Accounting changes and prior period adjustments

Implementation

1. *The City Manager shall be responsible for the preparation and submission of the program-based budget*

2) *The City Manager shall be authorized to make the appropriate changes to adhere to the budget policy*

A majority of the policy guidelines have been implemented to date. City staff is in the process of developing a five-year financial plan. The challenge in developing such a plan has been the periodic impacts local governments have experienced as a result of the State fiscal crisis.

Major Initiatives

For the Year.

The Finance department has begun the search for new financial software. The current system being used is 10 years old. Staff has sat in on many software demonstrations and has chosen a vendor that looks very promising. The new software will help the Finance Department be more efficient and will eliminate the need to maintain “off the book” databases such as excel spreadsheets in order to process work and maintain financial and accounting functions. Finance is looking to complete the negotiation process and begin training by December of 2010, for complete conversion to the new system by June, 2011. Finance continues to strive to improve operations within the department. The policy and procedure manual for the department has been updated. The department continues to cross-train on each desk so as to ensure continuous operation in the event of prolonged absence by any one employee.

The Finance department and Public Works departments jointly converted the utility billing system to a new hosted system. As conversions go, this process wasn't without its challenges. Staff members have worked diligently to iron out the various issues that arose during the initial stages of the system implantation and continue to work on outstanding conversion issues.

The Human Resources department was able to negotiate a 10% decrease with the City's third party administrator for workers' compensation claims processing. During the year, mandatory sexual harassment training was completed with all supervisory staff.

Funded by Federal Economic Stimulus funds, the Public Works Department completed approximately \$1 million of street improvements on various major thoroughfares of the city including Cypress Street, Covina Boulevard and Citrus Avenue. Work was also completed on the replacement of the existing 1.25 million gallon La Merced water storage tank that was seismically deficient with a 1 million gallon tank that is fully compliant with all current construction standards.

The fiscal year also saw the City Council approve substantial tiered-rate increases for the Water Utility to meet the Utility's revenue needs given the rapidly escalating cost of wholesale water, fund needed capital improvements to the system; and encourage conservation of the City's limited water resources. The tiered-rates along with contracts approved by the City Council for the automation of utility meter reading and billing services were major steps in the transformation of the water utility system from 1960's technology to 21st century capabilities.

The Parks & Recreation Department continues to provide outstanding customer service to the residents of Covina and our surrounding communities. The busy administrative staff handled more than 30,000 customer contacts. Over 14,000 program registrations are processed each year. In the Aquatics Division, swim lessons, lap swimming, aqua aerobics, recreational swimming and swim team served 7,500 participants during the summer months. The Leisure Lifestyle Classes program offers over 130 different classes each season with more than 8,000 participants annually. The program generates over \$200,000 in gross revenues each year. Two dance recitals are held each year with over 300 performers and 800 in attendance at each recital. The Cultural Excursion program offered 10 successful one-day trips with 400 participants. The Recreation Services Division continues to offer a very successful Summer Day Camp, which was attended by over 600 youth. In the Youth Sports area, more than 1,100 children between the ages of 3 and 11 learned new skills and had fun playing t-ball, softball, soccer, flag football, and basketball. The Teen Council continues to help teens get involved in the planning of events and volunteering in

the community. The Leaders-in-Training program gave 70 teens the opportunity to learn valuable life skills and serve the community with over 4,200 volunteer hours. The Senior Services Division continues to provide older adults in the community with programs and services to enhance their lives. The Joslyn Center offers a daily lunch program, information and referral services, case management services, seminars, classes, excursions and special events. These programs and services reach several thousand seniors each year. The Park Facilities Division continues to do an outstanding job maintaining 53 acres of parkland, including playgrounds, park buildings, park restrooms, turf and tree maintenance, irrigation repairs and much more. The Park staff also provided close to 500 hours of assistance to the department's recreation programs and special events. With sponsorship funds from community organizations and local businesses, the annual summer concert series brought free music and entertainment to over 23,000 people. Other successful community events attended by thousands of people included, Bluesapalooza/Thunderfest, the annual Covina Christmas Parade, and the Halloween Carnival. The department was successful in obtaining a grant from the AQMD to plant 100 new trees in City parks. With the grant, two college students will be employed for a two-year period to assist in planting and maintaining the new trees. The department also submitted a State Grant application for the Kahler Russell Gymnasium project. With the budget reductions that took place in March 2010, the Parks & Recreation Department lost a full-time Park Worker and also took over managing the operations of the Covina Public Library.

The Police Department has continued its tradition of providing exceptional law enforcement services to the citizens of Covina. Total calls for service were in excess of 45,000. \$118,223 was received from two grants for the police cadet program. Additionally, \$100,000 in grant funding was received to fund two Community Services Officers and \$42,464 in grant funds was received through the traffic division. These traffic funds were earmarked for and utilized for "Click It or Ticket" seatbelt enforcement and DUI checkpoints. A total of 31 roving patrols and 2 saturation patrols related to Click It or Ticket details were performed, along with 4 DUI checkpoints. For 9 months of the fiscal year, the "Hybrid" shift deployment was in effect. This deployment method utilized a team policing philosophy and included 4/10 shift deployment during the week and 3/12 ½ shift deployment on the weekends which allowed for additional shift coverage, training coverage and a significant reduction in overtime costs. The Police Department coordinated the upgrade of the city-wide phone system, resulting in a reduction of expenditures for phone services throughout the city while improving functionality and customer service. The department has entered into a Joint Powers Agreement with a county wide public safety communications system called LARICS and sends a voting representative to the meetings for the development of this endeavor.

The Covina Redevelopment Agency (Agency) marketing materials were updated to assist in our business outreach and retention efforts, and both web-based and print advertising were used to attract and retain businesses. The updated web sites may be viewed at www.covinaopportunity.com and www.shopcovina.org. The Agency worked with businesses using the Façade improvement program to eliminate blight and promote economic development. Recipients enhanced the exterior of their buildings by way of new windows, stucco, paint, awnings, signage, and architectural treatments. The Agency assisted in the coordination of downtown activities with the Covina Downtown Association for events such as Wine Walks, Ladies Night Out, and Movie Nights. The Redevelopment Agency continued the revitalization of downtown by partially funding the Annual Thunderfest/Music Festival. The Friday night Farmers Market Downtown draws people to the town center. Work has begun on an overall evaluation to the downtown in regard to pedestrian access and layout, funded by a federal Local Highway Grant. The Agency also continued acquisition of properties and developer negotiations for the mixed-use project to take place north of Italia Street. The City of Covina/Home Depot sign on Azusa Avenue was constructed and completed, providing better site identity for the retailer, as well as marking the entrance to the City. The Agency continues to market the property at the southwest corner of Citrus Street and Rowland, and has entered into an Exclusive Right to Negotiate with a possible end-user.

For the Future.

In spite of the on-going economic recession, Public Works will be completing approximately \$1 million of street repaving to be funded by federal Surface Transportation Program-Local (STP-L) funds. In addition, the City plans to sell \$14.75 million of revenue bonds to fund a major renovation of the City's water utility system that will expand the capabilities of the system and renovate the system's aging infrastructure to meet the current and future needs of the City's residents and businesses.

Recognizing the need to transition the City to become a more sustainable community with respect to its water consumption the Public Works Department will be completing the implementation of its new utility billing and automated meter reading systems; allowing greater personal control over water usage by consumers while

simultaneously capping the need for expanded personnel or information technology costs through the utilization of web-based, hosted services.

The Redevelopment Agency has met and will continue to meet regularly with Downtown merchants to help facilitate downtown events. Negotiation efforts have continued on the freeway sign that will provide freeway visibility to the City's auto dealerships. Renovation of a 90 unit, income-qualified apartment building will take place in the coming year under agreement and funding by the Agency. A property purchased with low-to moderate income housing funds will be donated to Habitat for Humanity to construct a single family home for a qualifying family. A new market-rate housing project will be constructed, and will include three moderate-income homes for sale. The Redevelopment Agency will continue to finalize the mixed-use project and relocate affected businesses. The Agency's two project areas will be analyzed to determine whether time limit modification, merging of project areas, or addition of new territory should be considered.

The City has negotiated a two-tiered retirement benefit with the Police Safety bargaining group. Current employees will maintain their retirement benefit at three percent (3%) at age fifty (50). Newly hired employees will receive three percent (3%) at age fifty-five (55). This will begin on January 1, 2011.

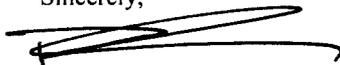
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Covina for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the eighth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the finance department with special recognition of Debbie Pacheco. Credit also must be given to the Mayor and City Council for their support for maintaining the highest standards of professionalism in the management of the City of Covina's finances.

Sincerely,



Daryl Parirsh
City Manager



Dila de Alwis
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Covina
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

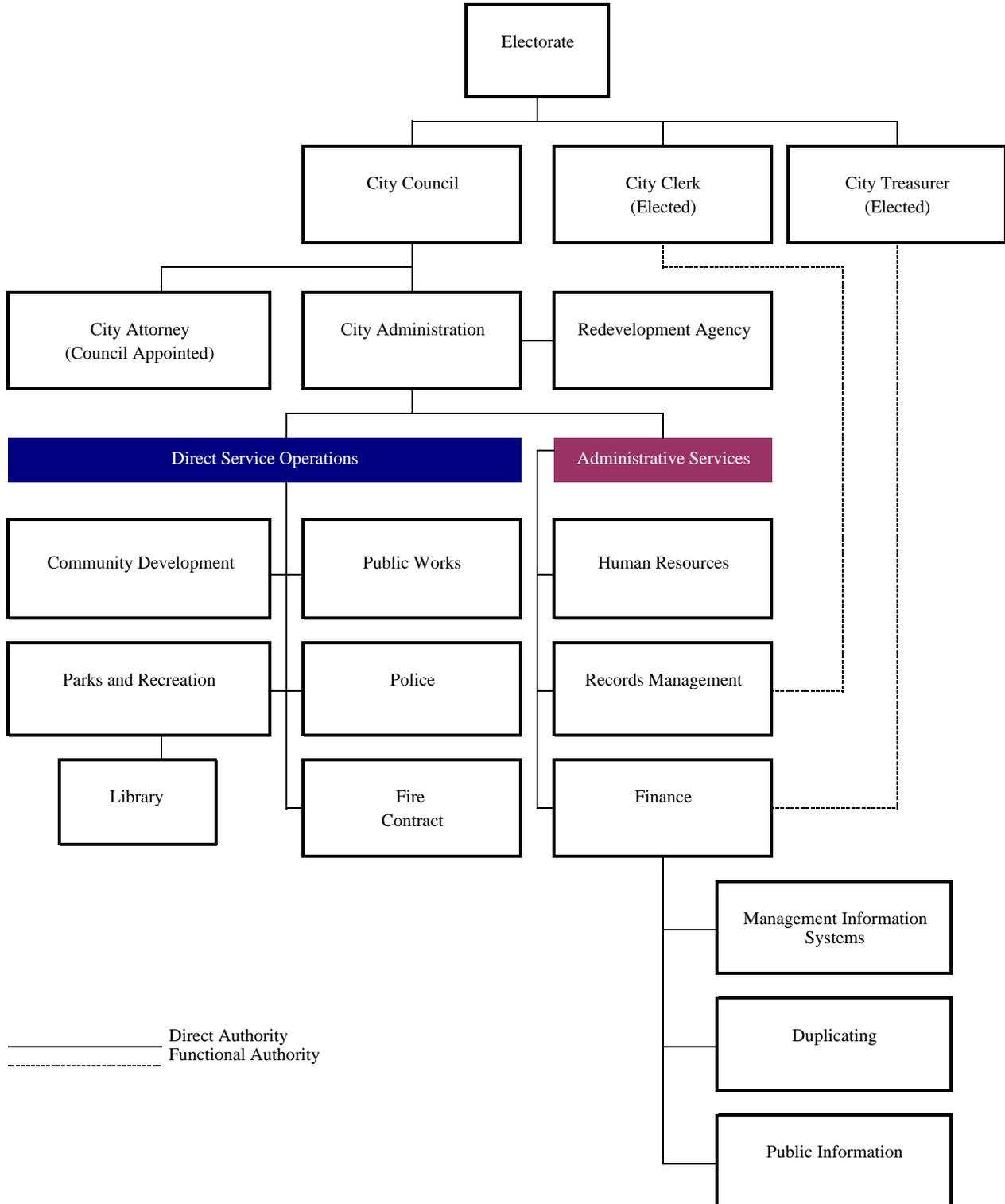


President

Executive Director

CITY OF COVINA, CALIFORNIA

Organizational Chart
June 30, 2010



CITY OF COVINA, CALIFORNIA
List of Principal Officials
2009-2010

<u>Elected Officials</u>	<u>Term Expires</u>
Mayor: Peggy A. Delach	March 2011
Mayor Pro Tem: John C. King	March 2013
Council Members: Walter Allen III Kevin Stapleton Bob Low	March 2011 March 2013 March 2013
City Clerk: Toni Taber	March 2013
City Treasurer: John B. Fielding	March 2013
<u>Administrative Staff</u>	<u>Date of Hire</u>
City Manager: * Daryl Parrish	June 2009
City Attorney: * Marco Martinez	June 2010
Finance Director: Dilu de Alwis	September 2009
Human Resources Director: Anthony Arroyo	September 2009
Police Chief: Kim Raney	December 1977
Fire Chief: ** P. Michael Freeman	April 2002
Public Works Director: Steve Henley	August 2006
Parks and Recreation Director: Amy Hall-McGrade	July 1983
Community Development Director: Robert Neiuber	July 1990

* Appointed by City Council

** Appointed by Los Angeles County Fire District

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The Honorable City Council of
The City of Covina, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Covina, California, (City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1(P) to the basic financial statements, effective July 1, 2009, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The management's discussion and analysis and other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, major fund budgetary comparison schedules, the combining and individual non-major fund financial statements and schedules listed as supplementary information in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The major fund budgetary comparison schedules and the combining and individual non-major fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated, in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Fini & O'Connell LLP

Certified Public Accountants
Los Angeles, California

December 22, 2010

Management's Discussion and Analysis

(Unaudited)

Our discussion and analysis of the City of Covina's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the accompanying transmittal letter and basic financial statements and notes.

FINANCIAL HIGHLIGHTS

- The assets of the City of Covina exceeded its liabilities at the close of the fiscal year by \$145,143,945. The Governmental funds do not have unrestricted net assets, which are available to meet the City's ongoing obligations to citizens and creditors. However, the Business-type funds have \$6,408,142 of unrestricted net assets available.
- The City's net assets decreased by \$5,149,281 or 3.4% from the previous fiscal year from operations.
- The total cost of all City activities was \$55,948,411 for the current fiscal year. Net cost of all activities was \$33,407,406.
- During the current fiscal year, the City's expenses exceeded net revenues of the governmental activities by \$6,641,098.
- In the City's business-type activities, revenues exceeded expenses by \$1,491,817.
- The total fund balances of the City governmental funds was \$67,034,897 at the close of the fiscal year. 95.3% of this amount, \$63,916,042, is nonspendable, restricted, committed or assigned and is not available for spending at the City's discretion.
- General Fund expenditures exceeded revenues and other financing sources (uses) by \$6,881,841 for the fiscal year.
- The total fund balance of the General Fund was \$10,608,489 for the year. Of this amount, \$7,489,634 is nonspendable, restricted, committed or assigned and is not available for spending at the City's discretion, and \$3,118,855 is unassigned (see note 15 of *Notes to the Financial Statements*).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Covina's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) and notes to the financial statements. The report also contains required supplementary information and other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to private-sector business.

Statement of Net Assets

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Covina is improving or deteriorating.

Statement of Activities

The statement of activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs,

regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, culture and recreation, community development, transit, redevelopment and housing, and interest on long-term debt. The business-type activities include water utility and environmental protection.

The government-wide financial statements include not only the City of Covina itself (known as the *primary government*) but also the blending of the legally separate Covina Public Finance Authority and Covina Redevelopment Agency for which the City is financially accountable. These *component units* are therefore included as an integral part of the primary government.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Covina, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided in two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the governmental-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements; it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. This will provide a better understanding of the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City of Covina maintains twenty-two individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances for the general, low-moderate income housing, tax allocation, and redevelopment agency funds, all of which are considered to be major funds. The low-moderate income housing, tax allocation, and redevelopment agency funds are funds of the Covina Public Financing Authority and Covina Redevelopment Agency. Information from the other non-major governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the supplementary information section of the report.

The City adopts an annual appropriated budget for all of the governmental funds. Budgetary comparison schedules have been provided in the required supplementary information section for the general and major special revenue fund to demonstrate compliance with the budget. Budgetary comparison schedules have been provided in the supplementary information section for the remaining major and non-major governmental funds.

Proprietary Funds

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City's enterprise funds account for the water utility, environmental protection and sewer operations. *Internal service funds* are used to accumulate and allocate costs internally among various City functions. The City's internal service funds account for the management information systems, central equipment, worker's

compensation and general liability services. These services predominately benefit governmental rather than business-type functions and have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water utility, environmental protection and sewer operations. All proprietary funds are considered to be major funds of the City. Conversely, all central equipment, management information systems, workers' compensation and general liability internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* in the supplementary information section of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. The City of Covina's assets exceeded liabilities by \$145,143,945 at the close of the fiscal year.

The largest portion of the City's net assets (71.1%) is in capital assets (land, buildings and structures, infrastructure, and machinery and equipment) less any related debt outstanding used to acquire those assets. Capital assets provide services to citizens and are not available for future spending. Resources needed to repay the related debt outstanding must be provided from other sources because the capital assets cannot be used to liquidate these liabilities.

An additional portion of net assets (40.4%) represents resources that are subject to external restrictions on how it may be used. As *unrestricted net assets* are a negative amount for Governmental Activities, none of it may be used to meet the City's ongoing obligations to citizens and creditors designated by certain federal, state, and local statutes. There are unrestricted net assets of \$6,408,142 for Business-Type Activities.

The City's net assets decreased by \$5,149,281 or 3.4% during the fiscal year as a result of ongoing revenues exceeding expenses. The total cost of all City activities was \$55,948,411 for the fiscal year. Net cost of all activities was \$33,407,406.

Governmental Activities

This analysis focuses on the net assets and changes in net assets of the City's governmental activities which are presented in the government-wide financial statements.

Governmental Activities Net Assets

	2010	2009
Current and other assets	\$ 79,565,436	\$ 85,074,388
Capital assets	92,866,788	96,480,831
Total assets	172,432,224	181,555,219
Long-term liabilities outstanding	45,936,711	48,298,307
Other liabilities	2,502,808	2,623,109
Total liabilities	48,439,519	50,921,416
Net assets:		
Invested in capital assets, net of related debt	90,056,952	94,263,857
Restricted	57,117,453	41,514,531
Unrestricted	(23,181,700)	(5,144,585)
Total net assets	\$ 123,992,705	\$ 130,633,803

The net assets of the governmental activities represent 85.4% of the City's total net assets. Restricted assets include external restrictions relating to public safety, public works, transit, debt service, and redevelopment and housing .

Revenues

Program revenues:

Charges for services	\$ 5,860,281	\$ 4,967,508
Operating grants and contributions	4,016,332	3,193,844
Capital grants and contributions	1,332,464	2,418,316

General revenues:

Property taxes	13,618,538	16,920,696
Sales taxes - intergovernmental unrestricted	5,914,184	7,306,177
Utility users taxes	5,275,407	5,274,912
Other taxes	2,006,842	2,116,757
Intergovernmental unrestricted	-	131,080
Motor vehicle license-intergovernmental unrestricted	145,828	-
Other revenues	1,236,562	3,169,854
Total revenues	39,406,438	45,499,144

Expenses

General government	2,500,818	3,142,876
Public safety	21,354,758	21,209,236
Public works	9,372,078	5,646,611
Culture and recreation	3,775,721	3,953,534
Community development	899,683	674,691
Transit	1,255,587	1,035,264
Redevelopment and housing	4,690,369	5,476,535
Interest on long-term debt	1,767,365	1,801,211
Total expenses	45,616,379	42,939,958
Increase (decrease) in net assets before transfers	(6,209,941)	2,559,186
Transfers in (out)	(431,157)	45,913
Change in net assets	(6,641,098)	2,605,099
Beginning net assets	130,633,803	128,028,704
Ending net assets	\$ 123,992,705	\$ 130,633,803

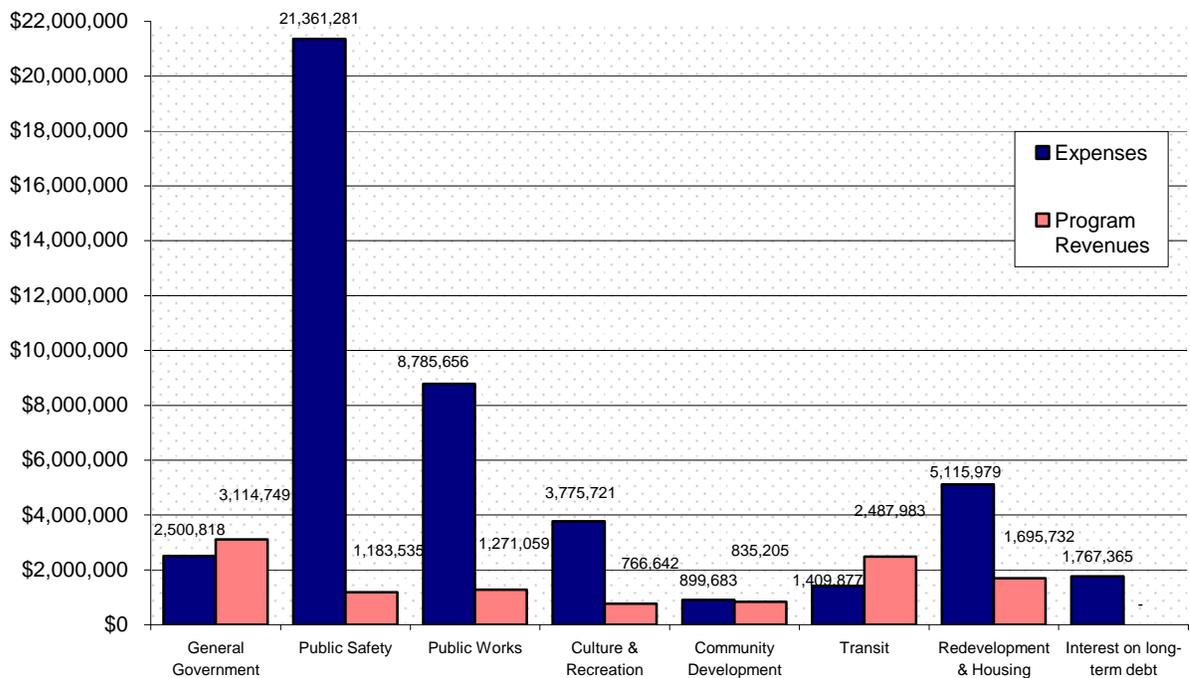
The City's expenses exceeded net revenues of the governmental activities by \$6,641,098. Revenues decreased by \$6,092,706 or 13.4% from the previous fiscal year. General property tax revenue decreased by

\$3,302,158 or 19.5%. The decrease is due to the sharp decline in property values throughout the City, as well as a decrease in the actual amount collected in property taxes by the County, as people have defaulted on paying timely. Sales tax revenue has also decreased by \$1,391,993 or 19.1%. The decrease is primarily due to a sharp decline in retail sales activity (sales tax revenue), as residents currently have less disposable income than in prior years. The decrease in general other revenues is attributed to lower investment earnings, the interest rate earned on average in the prior year was 2.185%, versus the average interest earned in the current year is 0.657%.

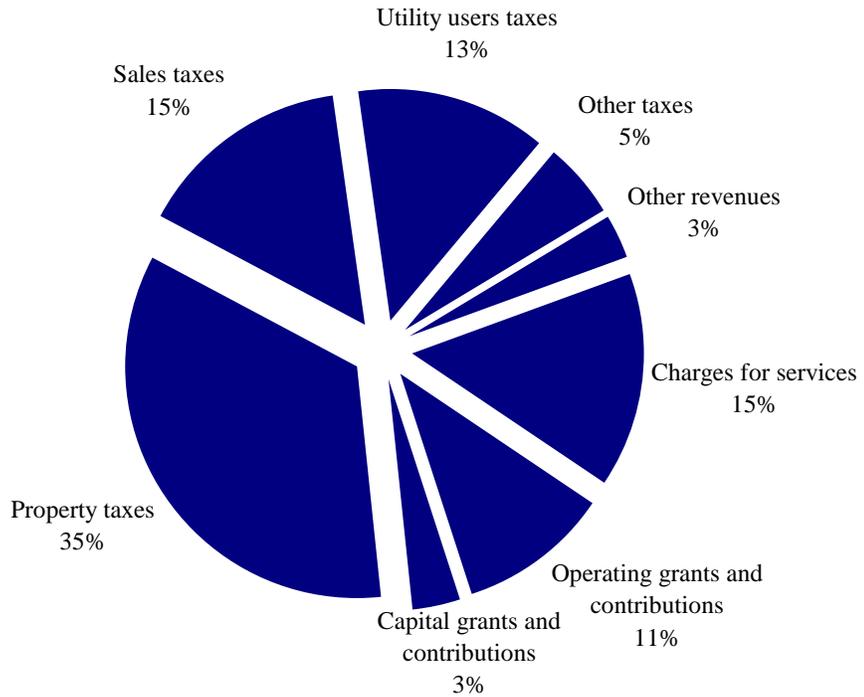
Expenses increased by \$2,676,422 or 6.2% from the previous fiscal year. The increase of \$3,139,045 or 55.6% in public works expenses can be attributed to depreciation expensed on capital assets placed in service. The increase of \$224,992 or 33.3% in community development is due to the contracting out of plan checking. The increase of \$374,613 or 36.2% in transit is attributed to depreciation expensed on capital assets placed in service.

Net expenses is a good indication of the extent to which the services provided by the City are financed from taxes paid by the citizens as opposed to recovering the cost of these services with user fees and other contributions. General government and transit functions recovered its expenses with program revenues. General government, public safety, public works, culture and recreation, community development, redevelopment and housing, and interest on long-term debt are financed primarily from general revenues.

Expenses and Program Revenues-Governmental Activities

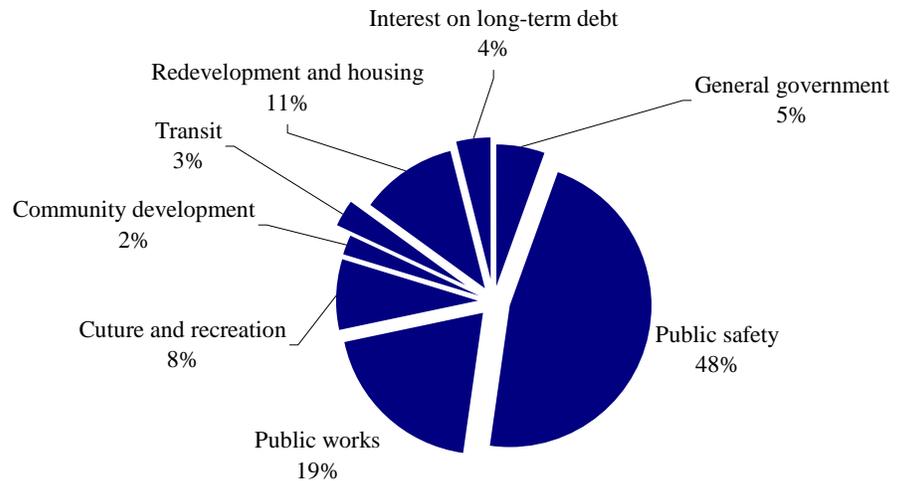


Revenue Sources-Governmental Activities



Taxes, operating grants, charges for services and contributions provide 79% of the overall revenue sources of the governmental activities. Taxes include property, sales, utility users and other (transient occupancy, property transfer, business registration and franchise). The City of Covina is aggressive in the use of both operating and capital grants.

Functions/Programs-Governmental Activities



Public safety and public works represents 67% of the programs of the governmental activities. This is consistent with the City’s highest priority of citizen safety and well being. The City of Covina is aggressive in economic development which is reflected in the redevelopment and housing program (11.%) and interest

on long-term debt (4%). A majority of the long-term debt is associated with redevelopment.

Business-type Activities

The analysis of business-type activities focuses on the net assets and changes in net assets of the City's water utility, environmental protection and sewer functions which are presented in the government-wide financial statements.

Business-type Activities Net Assets

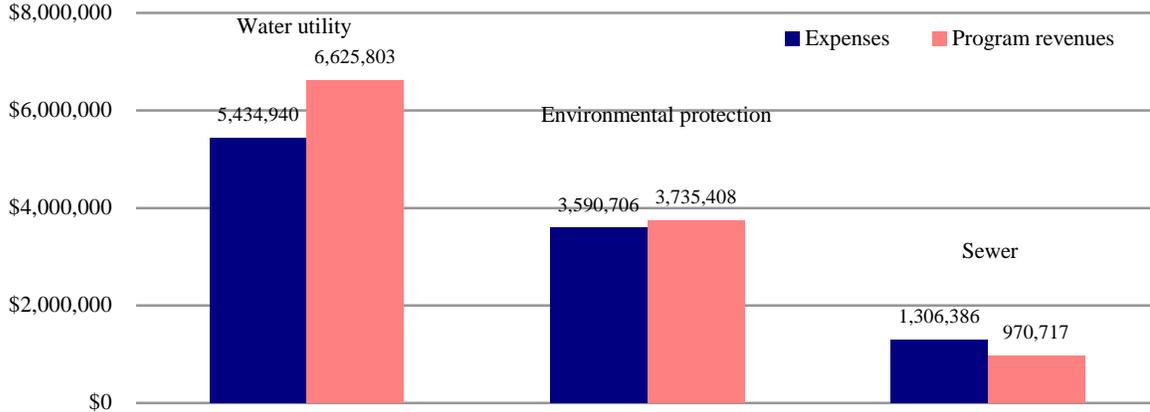
	<u>2010</u>	<u>2009</u>
Current assets and other assets	\$ 24,096,101	\$ 9,337,988
Capital assets	<u>14,821,427</u>	<u>12,688,278</u>
Total assets	<u>38,917,528</u>	<u>22,026,266</u>
Long-term liabilities outstanding	16,910,755	1,742,868
Other liabilities	<u>855,533</u>	<u>623,975</u>
Total liabilities	<u>17,766,288</u>	<u>2,366,843</u>
Net assets:		
Invested in capital assets, net of related debt	13,182,813	11,081,331
Restricted for debt service	1,588,002	194,200
Unrestricted	<u>6,380,425</u>	<u>8,383,892</u>
Total net assets	<u>\$ 21,151,240</u>	<u>\$ 19,659,423</u>

The net assets of the business-type activities represent 14.6% of the City's total net assets. Business-type net assets increased by \$1,491,817 from the previous year. The increase is primarily attributed to an increase in charges for services due to the restructuring of water rates during the 2010 fiscal.

Business-type Activities Change in Net Assets

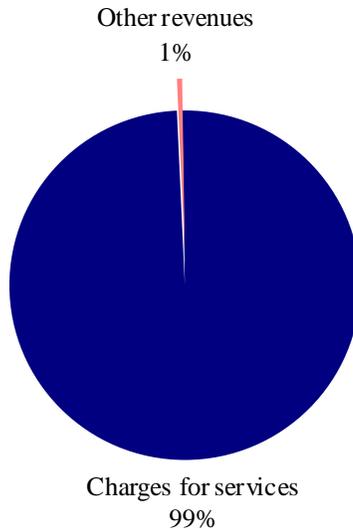
	<u>2010</u>	<u>2009</u>
Revenues		
Program revenues:		
Charges for services	\$ 11,331,928	\$ 9,305,639
Operating grants and contributions	-	9,797
General revenues-other revenues	<u>60,764</u>	<u>305,579</u>
Total revenues	<u>11,392,692</u>	<u>9,621,015</u>
Expenses		
Water utility	5,434,940	4,736,319
Environmental protection	3,590,706	3,838,461
Sewer	<u>1,306,386</u>	<u>-</u>
Total expenses	<u>10,332,032</u>	<u>8,574,780</u>
Change in net assets before transfers	<u>1,060,660</u>	<u>1,046,235</u>
Transfers in (out)	<u>431,157</u>	<u>(45,913)</u>
Change in net assets	1,491,817	1,000,322
Beginning net assets	<u>19,659,423</u>	<u>18,659,101</u>
Ending net assets	<u>\$ 21,151,240</u>	<u>\$ 19,659,423</u>

Expenses and Program Revenues-Business-type Activities



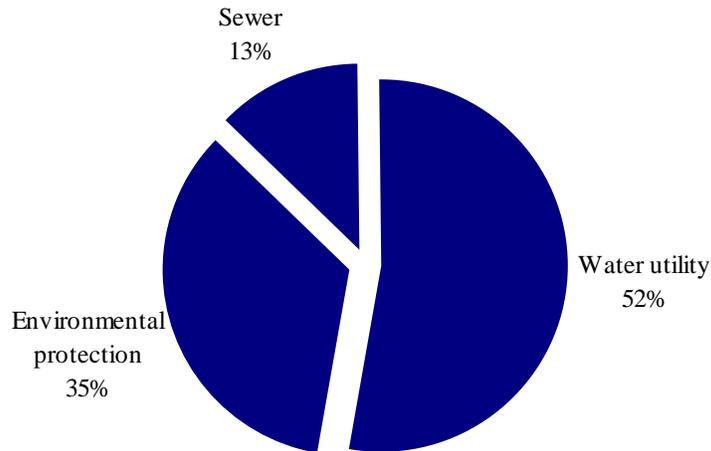
The City’s business-type program revenues exceeded expenses by \$1,491,817. Water utility charges for services recovered both operating and interest expenses during the fiscal year. Environmental protection charges for services and operating grants and contributions also recovered all operating expenses. Sewer utility charges for services did not cover all operating expenses in the amount of \$335,669.

Revenues by Source-Business-type Activities



Total business-type revenues increased to \$11,392,692 from \$9,621,015 in the previous fiscal year. Charges for services are the major revenue source which provides for both operating and capital maintenance costs. Water utility charges for services include water sales, meter installation fees, connection fees and other miscellaneous charges. Environmental protection charges include environmental fees for refuse and recycling services. Sewer charges include fees established to recover the cost of operating the sewer system throughout the City of Covina.

Functions/Programs - Business-type Activities



Total business-type expenses increased to \$10,332,032 from \$8,574,780 in the previous fiscal year. The increase in expenses is attributed to addition of the sewer enterprise fund in the current year. In addition, expense for the water utility operation, services which include general and administrative, utility billing, customer service, sales promotion, source and supply, production and storage, and transmission and distribution increased by \$698,621. The majority of the increase was caused by paying higher rates for water purchases in the current year. Water utility expenses also includes interest expense. Environmental protection expenses includes general and administrative, utility billing, street sweeping, environmental services, refuse collection and waste management. Sewer expenses include general and administrative and interest expense.

FINANCIAL ANALYSIS OF THE CITY FUNDS

The City of Covina uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

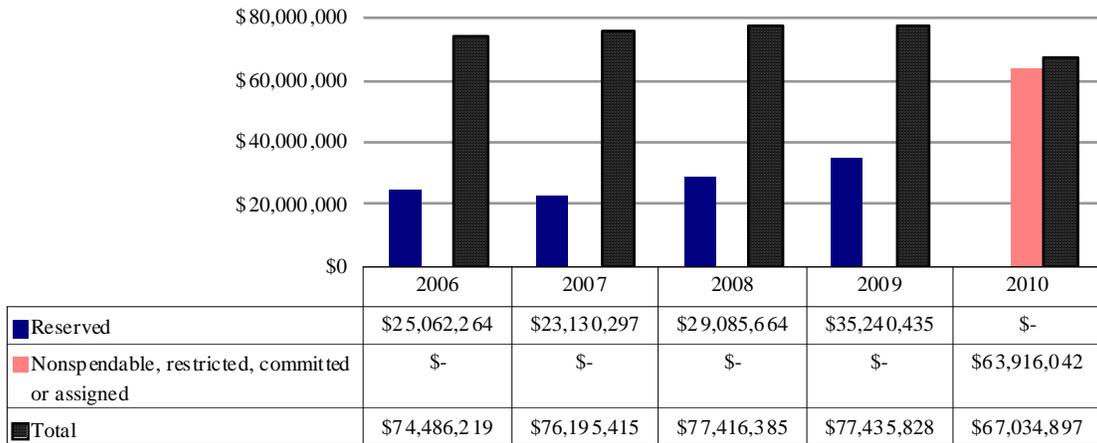
Governmental Funds

The focus of *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. This information assesses the City's financing requirements. *Unassigned fund balance* is a measure of the City's net resources available for designation or spending at the end of the fiscal year.

As of June 30, 2010, the City's governmental funds reported combined fund balances of \$67,034,897, a decrease of \$10,400,931 from the prior year. *Unassigned fund balance* of \$3,118,855 is available for designation and/or future spending at the City's discretion. A majority of the unassigned fund balance is designated by certain local statutes. The remainder of fund balance of \$63,916,042 is nonspendable, restricted, committed or assigned and is not available for spending at the City's discretion.

The following is a summary of fund balances of the governmental funds for fiscal years 2006-2010:

Fund Balances of Governmental Funds



The general fund is the chief operating fund of the City. At the end of the fiscal year, the fund balance of the general fund was \$10,608,489 of which \$3,118,855 was unassigned. Comparing both total and unassigned fund balances to total fund expenditures is a measure of the general fund's liquidity. Total fund balance represents 35.5% of total general fund expenditures and unassigned fund balance represents 10.4% of total general fund expenditures.

The fund balance of the general fund decreased by \$6,881,841 during the fiscal year. The decrease is attributed primarily to the following:

- Decrease in tax revenue (property, sales utility users, and franchise).
- Decrease in investment earnings revenue.

The low-moderate income housing, tax allocation debt and redevelopment agency funds are major funds of the City of Covina and the Covina Redevelopment Agency. The total fund balances of these funds are \$51,075,972 of which \$51,075,972 is nonspendable, restricted, committed or assigned and is not available for spending at the City's discretion. The total fund balances decreased by \$1,469,773 during the fiscal year. The decrease is attributed to an increase in the economic and redevelopment activity as well as capital outlay expenses. A large mixed-use project located north of Italia Street is in the process of being completed.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide statements, but in more detail.

Unrestricted net assets of the water utility fund decreased to \$7,214,983 in the fiscal year from \$8,177,968 in the prior year. Environmental fund unrestricted net assets increased to \$523,483 from \$363,969 in the prior year. During the year, the sewer enterprise fund was created and has negative unrestricted net assets in the amount of \$1,398,802. Other factors concerning the finances of these two funds are addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final budget were \$382,570 which represents a 1% increase. The most significant budgetary appropriation variances are as follows:

- **General government.** \$78,000 supplemental appropriation to the city manager department for costs associated with hiring a consultant to perform federal advocacy services. \$58,900 supplemental appropriation to the public liability department due to fire damage of Covina Park. \$33,900 supplemental appropriation to the Finance department for costs associated with Finance Director professional services agreement.

- **Culture and recreation.** Park facilities budget increased \$51,525 for roof replacement of Covina Park building roof repairs at the Joslyn Center, water damage repair at Hollenbeck building and building improvements at Covina Park. Library services also increased \$52,451 due to a carryover of funds from the prior year for purchase of books and carpet replacement.
- **Public safety.** Public safety budget increased a total of \$46,994 due to projects continued from the prior year into the current year.
- **Community development.** Planning budget increased \$23,470 due to the contracting out plan reviews, which used to be performed by city personnel.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2010 is \$107,688,215 (net of accumulated depreciation). Capital assets include buildings and structures, improvements other than buildings, domain infrastructure, water system infrastructure, sanitary sewer infrastructure, and machinery and equipment. The net decrease (deletions less additions) in capital assets for the fiscal year was \$1,480,893. The following is a summary of capital assets (net of depreciation) at June 30, 2010 and 2009:

Capital Assets (net of depreciation)

	2010	2009
Governmental activities		
Land	\$ 8,300,620	\$ 7,875,010
Buildings and structures	22,757,331	23,297,082
Improvements other than buildings	1,195,196	1,290,672
Public domain infrastructure	55,384,342	58,188,926
Sanitary sewer infrastructure	2,617,208	2,902,381
Machinery and equipment	2,346,138	2,061,883
Construction in progress	265,953	864,877
Total governmental activities	<u>92,866,788</u>	<u>96,480,831</u>
Business-type activities		
Land	377,408	377,408
Buildings and structures	2,409,896	2,518,751
Improvements other than buildings	103,060	108,631
Water system infrastructure	10,115,632	9,033,840
Machinery and equipment	670,151	464,927
Construction in progress	1,145,280	184,720
Total business-type activities	<u>14,821,427</u>	<u>12,688,277</u>
Total capital assets	<u>\$ 107,688,215</u>	<u>\$ 109,169,108</u>

There was a decrease in public domain infrastructure of \$2,804,584 during the current fiscal year. This decrease is due to depreciation expense incurred. There was an increase in water system infrastructure of \$1,081,792 due to work done on the water system. Please refer to Note 7 of the Notes to the Financial Statements for a more detailed description of the capital asset activity.

At June 30, 2010, \$7.58 million is committed for capital expenditures related to the sewer system improvement project.

Debt Administration

At the end of the fiscal year, the City had total long-term debt outstanding of \$55,771,796. This included

notes, capital lease, tax allocation bonds, and certificates of participation payable. The following is summary of the outstanding debt (net of unamortized charges) at June 30, 2010 and 2009:

(net of unamortized charges)

	2010	2009
Governmental activities		
Notes payable	\$ 656,516	\$ 761,693
Capital lease payable	403,320	81,974
Tax allocation bonds payable	36,012,009	37,892,429
Revenue bonds payable	1,897,216	2,319,020
Total governmental activities	38,969,061	41,055,116
Business-type activities		
Capital lease payable	196,331	-
Certificates of participation payable	1,442,283	1,606,948
Revenue bonds payable	15,164,121	-
Total business-type activities	16,802,735	1,606,948
Total outstanding debt	\$ 55,771,796	\$ 42,662,064

The increase in long-term debt from 2009 to 2010 was due primarily to the issuance of new debt in the sewer enterprise fund in the amount of \$15,750,000, as well as a capital lease in the general and water enterprise funds. Principal payments reduced outstanding debt in the amount of \$3,181,507 made during the fiscal year ended June 30, 2010.

The City of Covina and the Covina Public Financing Authority both maintain a “AAA” (insured) rating from Standard and Poor’s for the tax allocation bonds and certificates of participation.

State statutes limit the amount of applicable debt the City may issue to 15 percent of the total assessed valuation. The current debt limitation for the City of Covina is \$639,469,697 which is also the current debt margin.

Additional information on the City’s long-term debt and other long-term liabilities can be found in note 12 of the *Notes to the Financial Statements*.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The City of Covina’s economy continued to struggle with the rest of the region, State and Nation during fiscal year 2009-10. During the first quarter of fiscal year 2010-11 there have been some signs of a recovery evidenced by sales tax results.

Sales tax which is a major revenue source for the General Fund reduced by \$1,391,993 or 19.1% from the previous year. Even though the sales tax reduced when compared to the previous year, the drop year-over-year has slowed.

The City of Covina took into account in its revenue projections the addition of a major retail business moving in with the plan of beginning their operations in December 2010. Lowe’s Home Improvement store has completed their construction and is on schedule to open the latter part of December 2010. This factor along with the news that the 2nd quarter 2010 sales tax showed growth of 2% when compared to the previous quarter gives us optimism that the recovery has started.

We are proceeding with caution fully aware that this recovery seems to be a jobless recovery and the unemployment rate continues to remain in the 9% range. Conservative budget policies put in place by Council direction and emphasized by the City Manager and supported by staff have enabled the City of Covina to remain fiscally solvent. We continue to maintain a 20% emergency contingency reserve in addition to an undesignated fund balance of over \$3 million is proof of this discipline.

REQUESTS FOR INFORMATION

This financial report is designated to provide a general overview of the City’s finances for all those with an interest in the City’s finances. A copy of the financial report is available for review at the Covina Public

Library, 234 North Second Avenue, Covina, California, 91723. You may also find a copy of the report online at www.covinaca.gov. Questions concerning any of the information provided in this report should be addressed to City of Covina Finance Department, 125 East College Street, Covina, California, 91723.

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Government-Wide Financial Statements

Generally accepted accounting principles (GAAP) for state and local governments prescribe two basic government-wide financial statements:

- Statement of Net Assets
- Statement of Activities

The government-wide financial statements include all governmental and business-type activities of the City of Covina. Their purpose is to summarize the City's consolidated financial activities and position. The government-wide financial statements are prepared on a full accrual basis (including depreciation) similar to a private business entity.

Statement of Net Assets is the basic government-wide statement of position. A statement of position presents all of an entity's assets, liabilities and net assets (equity). The presentation is referred to as the *statement of net assets* (rather than *balance sheet*), and the difference between assets and liabilities is referred to as *net assets* (rather than *equity*).

GAAP require the City's governmental activities be reported separately from its business-type activities. In general, governmental activities include activities reported in the general, special revenue, debt service and capital projects funds. Business-type activities include activities reported in the enterprise funds. Residual balances of internal service funds are included in governmental activities.

The City's government-wide statement of net assets provides a column for the governmental activities, a column for the business-type activities, and a total column for the entire City. All internal balances (payables and receivables between governmental activities and business-type activities) are eliminated from the statement of net assets.

The difference of assets and liabilities in the government-wide statement of net assets is referred to as *net assets*. Net assets are categorized as follows:

- Net assets invested in capital assets, net of related debt
- Restricted net assets
- Unrestricted net assets

Statement of Activities is used to report changes in net assets reported on the government-wide statement of net assets. The government-wide statement of activities presents expenses before revenues. This emphasizes that in the public sector, revenues are generated for the express purpose of providing services rather than as an end in themselves.

The first column of the government-wide statement of activities present the direct expenses associated with each of the City's functional activities:

- General government
- Public safety
- Public works
- Culture and recreation
- Community development
- Transit
- Redevelopment and housing
- Interest on long-term debt

Business-type activities include direct expenses of the water utility, environmental and sewer functions.

The government-wide statements include the financial activities of the City of Covina, Covina Public Financing Authority and the Covina Redevelopment Agency.

CITY OF COVINA, CALIFORNIA
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (note 4)	\$ 49,880,873	\$ 3,083,047	\$ 52,963,920
Cash and investments-fiscal agent (note 4)	1,690,751	15,033,084	16,723,835
Accrued interest receivable	14,230	-	14,230
Receivables (net of allowances for uncollectibles):			
Property taxes (note 6)	1,318,982	-	1,318,982
Sales taxes	770,400	-	770,400
Utility user taxes	386,846	-	386,846
Other taxes	57,518	35,604	93,122
Accounts	461,568	1,787,223	2,248,791
Special assessments	9,916	-	9,916
Loans (note 14)	844,031	-	844,031
Notes (note 13)	2,736,965	-	2,736,965
Due from other governments	1,177,963	-	1,177,963
Internal balances (note 5)	(40,583)	40,583	-
Inventories	70,961	196,639	267,600
Prepaid expenses	639,601	-	639,601
Deferred charges	1,251,170	613,596	1,864,766
Investment in Covina Irrigating Company (note 18)	-	3,919,921	3,919,921
Land held for resale	18,294,244	-	18,294,244
Capital assets, not depreciated (note 7)	8,566,573	1,522,688	10,089,261
Capital assets, depreciated, (net of accumulated depreciation) (note 7)	<u>84,300,215</u>	<u>13,298,739</u>	<u>97,598,954</u>
Total assets	<u>172,432,224</u>	<u>39,531,124</u>	<u>211,963,348</u>
Liabilities			
Accounts payable	1,197,141	507,680	1,704,821
Deposits payable	91,739	109,185	200,924
Accrued liabilities	624,966	47,908	672,874
Due to other governments	434,894	-	434,894
Accrued interest payable	116,766	190,760	307,526
Net postemployment benefit obligation	37,302	-	37,302
Long-term liabilities (notes 9, 10, 11 and 12):			
Due within one year	4,097,017	258,964	4,355,981
Due in more than one year (net of unamortized discount and premium)	<u>41,839,694</u>	<u>17,265,387</u>	<u>59,105,081</u>
Total liabilities	<u>48,439,519</u>	<u>18,379,884</u>	<u>66,819,403</u>
Net assets			
Invested in capital assets, net of related debt	90,056,952	13,155,096	103,212,048
Restricted for:			
Public safety	842,472	-	842,472
Public works	2,114,949	-	2,114,949
Culture and recreation	237,353	-	237,353
Transit	1,929,040	-	1,929,040
Debt service	1,610,217	1,588,002	3,198,219
Redevelopment and housing	50,383,422	-	50,383,422
Unrestricted (deficit)	<u>(23,181,700)</u>	<u>6,408,142</u>	<u>(16,773,558)</u>
Total net assets	<u>\$ 123,992,705</u>	<u>\$ 21,151,240</u>	<u>\$ 145,143,945</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Activities
For the fiscal year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 2,500,818	\$ 2,143,036	\$ 825,885	\$ -	\$ 468,103	\$ -	\$ 468,103
Public safety	21,354,758	630,996	552,539	-	(20,171,223)	-	(20,171,223)
Public works	9,372,078	469,403	801,656	-	(8,101,019)	-	(8,101,019)
Culture and recreation	3,775,721	703,840	52,412	10,390	(3,009,079)	-	(3,009,079)
Community development	899,683	733,112	102,093	-	(64,478)	-	(64,478)
Transit	1,255,587	220,813	945,096	1,322,074	1,232,396	-	1,232,396
Redevelopment and housing	4,690,369	959,081	736,651	-	(2,994,637)	-	(2,994,637)
Interest on long-term debt	1,767,365	-	-	-	(1,767,365)	-	(1,767,365)
Total governmental activities	<u>45,616,379</u>	<u>5,860,281</u>	<u>4,016,332</u>	<u>1,332,464</u>	<u>(34,407,302)</u>	<u>-</u>	<u>(34,407,302)</u>
Business-type activities:							
Water utility	5,434,940	6,625,803	-	-	-	1,190,863	1,190,863
Environmental protection	3,590,706	3,735,408	-	-	-	144,702	144,702
Sewer utility	1,306,386	970,717	-	-	-	(335,669)	(335,669)
Total business-type activities	<u>10,332,032</u>	<u>11,331,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>999,896</u>	<u>999,896</u>
Total functions/programs	<u>\$ 55,948,411</u>	<u>\$ 17,192,209</u>	<u>\$ 4,016,332</u>	<u>\$ 1,332,464</u>	<u>(34,407,302)</u>	<u>999,896</u>	<u>(33,407,406)</u>
General revenues:							
Property taxes (note 6)					13,618,538	-	13,618,538
Sales taxes - intergovernmental unrestricted					5,914,184	-	5,914,184
Transient occupancy taxes					356,027	-	356,027
Property transfer taxes					133,114	-	133,114
Business license taxes					368,913	-	368,913
Utility user taxes					5,275,407	-	5,275,407
Franchise taxes					1,148,788	-	1,148,788
Motor vehicle license-intergovernmental unrestricted					145,828	-	145,828
Investment earnings					1,236,562	160,868	1,397,430
Investment gain in Covina Irrigating Company					-	(66,408)	(66,408)
Other revenues					-	(33,696)	(33,696)
Capital lease inception					-	-	-
Transfers					(431,157)	431,157	-
Total general revenues and transfers					<u>27,766,204</u>	<u>491,921</u>	<u>28,258,125</u>
Change in net assets					(6,641,098)	1,491,817	(5,149,281)
Net assets at beginning of year					<u>130,633,803</u>	<u>19,659,423</u>	<u>150,293,226</u>
Net assets at end of year					<u>\$ 123,992,705</u>	<u>\$ 21,151,240</u>	<u>\$ 145,143,945</u>

See accompanying notes to the financial statements.

Governmental Fund Financial Statements

Generally accepted accounting principles (GAAP) for state and local governments prescribe the following basic governmental fund financial statements:

- Balance Sheet
- Statement of Revenues, Expenditures, and Changes in Fund Balances

The governmental fund financial statements include all the major individual governmental funds and the total of non-major funds of the City of Covina. The governmental fund financial statements are prepared on a modified accrual basis. The major governmental funds of the City are as follows:

General Fund accounts for the revenues and expenditures used to carry out basic governmental activities of the City such as general government, public safety, public works, culture and recreation, and community development. Revenue is recorded by source (e.g., property taxes, licenses and permits, intergovernmental, charges for services and fines and forfeits). General Fund expenditures are made primarily for current day-to-day operations and operating equipment. They are recorded by major functional classification and operating departments. This fund accounts for all financial transactions not properly accounted for in another fund.

Low-Moderate Income Housing is a special revenue fund and accounts for the revenues and expenditures associated with the Covina Redevelopment Agency (Agency) low-moderate income housing program. Under California redevelopment law, twenty percent of property tax increments generated by the Agency's project areas are set aside and utilized for housing and related activities that benefit low-moderate income people.

Tax Allocation is a debt service fund and accounts for revenues and expenditures used for the payment of principal, interest and fiscal charges on general long-term indebtedness of the Covina Public Finance Authority (Authority) and Covina Redevelopment Agency (Agency). Revenues include property tax increments generated from the Agency's project areas. Expenditures are related to the tax allocation bonds of the Authority and loans of the Agency.

Redevelopment Agency is a capital projects fund and accounts for the financial resources used for economic development activities in the Covina Redevelopment Agency. Financial resources include property rentals, sale of property and tax allocation bond proceeds.

Budgetary comparison schedules for the General and major special revenue funds are included in the required supplementary section. Budgetary comparison schedules for the Tax Allocation, Redevelopment Agency and individual non-major funds are located in the supplemental information section of the financial statements.

CITY OF COVINA, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Low-Moderate Income Housing	Tax Allocation	Redevelopment Agency	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (note 4)	\$ 9,681,173	\$ 7,063,947	\$ 1,467,463	\$ 18,972,856	\$ 5,234,557	\$ 42,419,996
Cash and investments-fiscal agent (note 4)	-	1	1,418,393	-	272,357	1,690,751
Accrued interest receivable	3,391	-	-	10,839	-	14,230
Receivables (net of allowances for uncollectibles):						
Property taxes (note 6)	334,534	157,626	817,339	-	9,483	1,318,982
Sales taxes	770,400	-	-	-	-	770,400
Utility user taxes	386,846	-	-	-	-	386,846
Other taxes	57,518	-	-	-	-	57,518
Accounts	239,093	-	-	168,558	53,917	461,568
Special assessments	-	-	-	-	9,916	9,916
Loans (note 14)	-	75,861	-	-	768,170	844,031
Notes (note 13)	-	2,242,000	-	494,965	-	2,736,965
Due from other governments	227,776	-	-	-	930,558	1,158,334
Due from other funds (note 5)	309,389	5,586	187,186	62,529	3,441	568,131
Prepaid items	631,252	-	-	-	8,349	639,601
Advances to other funds (note 5)	15,000	3,434,009	-	482,576	-	3,931,585
Land held for resale	-	1,641,822	-	16,652,422	-	18,294,244
Total assets	<u>\$ 12,656,372</u>	<u>\$ 14,620,852</u>	<u>\$ 3,890,381</u>	<u>\$ 36,844,745</u>	<u>\$ 7,290,748</u>	<u>\$ 75,303,098</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 381,036	\$ 44,135	\$ 25,425	\$ 292,538	\$ 410,994	\$ 1,154,128
Deposits payable	57,939	900	-	32,900	-	91,739
Accrued liabilities	578,418	1,633	-	8,080	16,056	604,187
Due to other governments	504	-	-	-	434,390	434,894
Due to other funds (note 5)	249,446	3,455	4,364	730	310,702	568,697
Advances from other funds (note 5)	482,576	-	2,911,549	522,460	-	3,916,585
Deferred revenue (notes 13 and 14)	297,964	75,861	256,503	99,473	768,170	1,497,971
Total liabilities	<u>2,047,883</u>	<u>125,984</u>	<u>3,197,841</u>	<u>956,181</u>	<u>1,940,312</u>	<u>8,268,201</u>
Fund balances:						
Nonspendable:						
Prepaid items	631,252	-	-	-	-	631,252
Advances to other funds	15,000	3,434,009	-	482,576	-	3,931,585
Restricted for:						
Housing projects	-	9,419,037	-	-	-	9,419,037
Debt service reserve	-	-	692,540	-	-	692,540
Redevelopment projects	-	-	-	18,753,566	-	18,753,566
Land held for resale	-	1,641,822	-	16,652,422	-	18,294,244
Debt service	-	-	-	-	-	-
Community development	-	-	-	-	68,233	68,233
Law enforcement	-	-	-	-	790,255	790,255
Street projects	-	-	-	-	507,107	507,107
Transportation projects	-	-	-	-	1,929,040	1,929,040
Air Quality projects	-	-	-	-	234,589	234,589
Assessment districts	-	-	-	-	172,771	172,771
Committed to:						
Emergency reserves	6,282,619	-	-	-	-	6,282,619
Community improvement	102,854	-	-	-	-	102,854
Assigned to:						
Inmate communication	16,827	-	-	-	-	16,827
Cultural arts commission	2,398	-	-	-	-	2,398
Library equipment reserve	17,121	-	-	-	-	17,121
Police evidence money reserve	55,414	-	-	-	-	55,414
Building equipment reserve	25,426	-	-	-	-	25,426
Parks & recreation donation	13,851	-	-	-	-	13,851
Joslyn foundation donation	25,291	-	-	-	-	25,291
Youth sports equipment donation	54,733	-	-	-	-	54,733
Volunteen web berger donation	22,888	-	-	-	-	22,888
Gates donation	12,703	-	-	-	-	12,703
Literacy donation	10,710	-	-	-	-	10,710
Joseph borrello donation	139,743	-	-	-	-	139,743
Other donation	60,804	-	-	-	-	60,804
Other capital projects	-	-	-	-	325,243	325,243
Parks & recreation	-	-	-	-	226,638	226,638
Street resurfacing	-	-	-	-	1,096,560	1,096,560
Unassigned	3,118,855	-	-	-	-	3,118,855
Total fund balances	<u>10,608,489</u>	<u>14,494,868</u>	<u>692,540</u>	<u>35,888,564</u>	<u>5,350,436</u>	<u>67,034,897</u>
Total liabilities and fund balances	<u>\$ 12,656,372</u>	<u>\$ 14,620,852</u>	<u>\$ 3,890,381</u>	<u>\$ 36,844,745</u>	<u>\$ 7,290,748</u>	<u>\$ 75,303,098</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 June 30, 2010

Amounts reported for governmental activities in the statement of net assets are different because:		
Fund balances-total governmental funds	\$	67,034,897
Capital assets purchased or constructed for governmental activities are reported as expenditures in the governmental funds. The statement of net assets includes those capital assets (net of accumulated depreciation) among the assets of the City as a whole.		91,336,457
The focus of governmental funds is on short-term financing, therefore, some assets will not be available to pay for current-period expenditures. Those assets are offset by deferred revenue in the governmental funds and not included in fund balance. Deferred revenue associated with these assets is not included in the statement of net assets.		1,164,192
Bond issuance costs are reported as other financing uses in the governmental funds. These costs are deferred in the statement of activities and amortized over the life of the bonds.		1,251,170
Accrued interest payable applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as fund liabilities. The statement of net assets includes accrued interest.		(116,766)
Postemployment benefit asset is not a financial resource in the current period and therefore is not reported in the funds. Postemployment benefit payments are reported as expenditures in the funds.		(37,302)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. Long-term liabilities (both current and long-term) are reported in the statement of net assets.		(45,840,531)
Property taxes receivable collectible after 60 days of year-end are not available to pay for current period expenditures and are shown as deferred revenue in governmental funds.		333,779
Internal service funds are used by management to charge the costs of central equipment and management information systems activities to individual funds. The internal service funds assets and liabilities are included in governmental activities in the statement of net assets.		8,866,809
		<hr/>
Net assets of governmental activities	\$	<u>123,992,705</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2010

	General Fund	Low-Moderate Income Housing	Tax Allocation	Redevelopment Agency	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes (note 6)	\$ 8,683,092	\$ 1,746,002	\$ 3,165,344	\$ -	\$ 24,100	\$ 13,618,538
Sales taxes	5,914,184	-	-	-	-	5,914,184
Transient occupancy taxes	356,027	-	-	-	-	356,027
Property transfer taxes	133,114	-	-	-	-	133,114
Business license taxes	367,689	-	-	-	1,224	368,913
Utility user taxes	4,977,443	-	-	-	-	4,977,443
Franchise taxes	1,148,788	-	-	-	-	1,148,788
Licenses and permits	408,891	-	-	-	-	408,891
Intergovernmental	971,713	3,171	12,680	-	4,507,060	5,494,624
Charges for services	2,119,664	-	-	856,384	382,673	3,358,721
Fines and forfeits	736,304	-	-	-	-	736,304
Special assessments	-	-	-	-	781,307	781,307
Investment earnings	334,765	243,099	113,913	378,323	114,070	1,184,170
Miscellaneous	404,200	360	-	41,002	3,658	449,220
Total revenues	<u>26,555,874</u>	<u>1,992,632</u>	<u>3,291,937</u>	<u>1,275,709</u>	<u>5,814,092</u>	<u>38,930,244</u>
Expenditures:						
Current:						
General government	3,785,471	-	-	-	-	3,785,471
Public safety	20,769,053	-	-	-	628,212	21,397,265
Public works	535,419	-	-	-	1,518,227	2,053,646
Culture and recreation	3,576,179	-	-	-	58,328	3,634,507
Community development	923,801	-	-	-	-	923,801
Transit	-	-	-	-	996,078	996,078
Redevelopment and housing	-	810,077	161,184	2,490,855	806,251	4,268,367
Capital outlay	83,226	425,610	-	-	2,705,160	3,213,996
Debt service:						
Principal retirement	165,443	190,000	4,450,178	-	385,000	5,190,621
Interest and fiscal charges	54,782	203,737	1,473,660	-	107,875	1,840,054
Total expenditures	<u>29,893,374</u>	<u>1,629,424</u>	<u>6,085,022</u>	<u>2,490,855</u>	<u>7,205,131</u>	<u>47,303,806</u>
Excess (deficiency) of revenues over expenditures	<u>(3,337,500)</u>	<u>363,208</u>	<u>(2,793,085)</u>	<u>(1,215,146)</u>	<u>(1,391,039)</u>	<u>(8,373,562)</u>
Other financing sources (uses):						
Loan proceeds	-	-	-	2,310,000	-	2,310,000
Capital lease inception	486,788	-	-	-	-	486,788
Transfers in (note 5)	1,517,527	-	-	3,234,000	757,271	5,508,798
Transfers out (note 5)	(5,548,656)	-	(3,099,250)	(269,500)	(1,415,549)	(10,332,955)
Total other financing sources (uses)	<u>(3,544,341)</u>	<u>-</u>	<u>(3,099,250)</u>	<u>5,274,500</u>	<u>(658,278)</u>	<u>(2,027,369)</u>
Net change in fund balances	(6,881,841)	363,208	(5,892,335)	4,059,354	(2,049,317)	(10,400,931)
Fund balances at beginning of year	17,490,330	14,131,660	6,584,875	31,829,210	7,399,753	77,435,828
Fund balances at end of year	<u>\$ 10,608,489</u>	<u>\$ 14,494,868</u>	<u>\$ 692,540</u>	<u>\$ 35,888,564</u>	<u>\$ 5,350,436</u>	<u>\$ 67,034,897</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 June 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances-total governmental funds	\$ (10,400,931)
Capital assets purchased or constructed for governmental activities are reported as expenditures in the governmental funds. The statement of activities allocates those capital assets over their estimated useful lives as a depreciation expense charged for the year.	(4,049,876)
The focus of governmental funds is on short-term financing, therefore, some assets are offset by deferred revenue. Loans and notes issued during the year are reported as expenditures in the governmental funds when paid. Collections of loans and notes are reported as revenues in the governmental funds when received. The annual activity for loans and notes is not reported as revenues and expenses in the statement of activities.	228,243
Accrued interest payable applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as interest expense in governmental funds. The statement of activities reports accrued interest.	(2,991)
Change in postemployment benefits on a pay as you go basis.	(51,552)
Long-term bond proceeds (including issuance costs) are reported as other financing sources. Principal bond retirement payments are reported as expenditures in the governmental funds and thus, contribute to the change in fund balance. Issuing bonded debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Principal bond payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. Other long-term liabilities are not recorded as expenditures in the governmental funds but as expenses in the statement of activities. Unamortized charges are included in the statement of net assets and are amortized as an expense in the statement of activities.	2,270,141
Incremental property tax not collected within 60 days after year-end is derred in the funds but is recognized in the statement of activities on the accrual basis of accounting.	333,779
Internal service funds are used by management to charge the costs of the central equipment and management information systems activities to individual funds. The adjustments for internal service funds "closes" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.	5,032,089
Change in net assets of governmental activities	<u>\$ (6,641,098)</u>

See accompanying notes to the financial statements.

Proprietary Fund Financial Statements

Generally accepted accounting principles (GAAP) for state and local governments prescribe following basic proprietary fund financial statements:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Fund Net Assets
- Statement of Cash Flows

The proprietary fund financial statements include all the major individual enterprise and internal service funds of the City of Covina. Internal service funds are reported separately on the statement of net assets; statement of revenues, expenses, and changes in fund net assets; and statement of cash flows immediately following the total column for enterprise funds. This facilitates tracing amounts between fund financial statements and the government-wide financial statements.

The proprietary financial statements are prepared on a full accrual basis (including depreciation) similar to a private business entity.

Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises. The intent is to recover costs of operation on a continuing basis through user charges.

Water Utility is used to account for general and administrative, utility billing, customer service, sales promotion, source and supply, production and storage, and transmission and distribution operations. The intent of this fund is to recover costs of operation and capital maintenance (depreciation).

Environmental accounts for the general and administrative, utility billing, street sweeping, environmental services, refuse collection and waste management operations. The intent of the fund is to recover costs of operation.

Sewer accounts for the operation and maintenance of the wastewater system within the City's boundaries. The intent of the fund is to recover costs of operation.

Individual internal service funds are located in the supplemental information section of the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Funds			Total	Internal Service Funds
	Water Utility	Environmental	Sewer		
Assets					
Current assets:					
Cash and investments (note 4)	\$ 2,348,593	\$ 260,358	\$ 474,096	\$ 3,083,047	\$ 7,460,877
Cash and investments-fiscal agent (note 4)	264,560	-	14,768,524	15,033,084	-
Other taxes receivable	-	-	35,604	35,604	-
Accounts receivable (net of allowances for uncollectibles)	1,212,796	574,427	-	1,787,223	-
Due from other funds	-	-	-	-	744
Due from other governments	-	-	-	-	19,629
Inventories	196,639	-	-	196,639	70,961
Total current assets	<u>4,022,588</u>	<u>834,785</u>	<u>15,278,224</u>	<u>20,135,597</u>	<u>7,552,211</u>
Noncurrent assets:					
Investment in Covina Irrigating Company (note 18)	3,919,921	-	-	3,919,921	-
Deferred charges	27,717	-	585,879	613,596	-
Subtotal noncurrent assets	<u>3,947,638</u>	<u>-</u>	<u>585,879</u>	<u>4,533,517</u>	<u>-</u>
Capital assets not being depreciated:					
Land	377,408	-	-	377,408	-
Construction in progress	1,145,280	-	-	1,145,280	-
Total capital assets not being depreciated	<u>1,522,688</u>	<u>-</u>	<u>-</u>	<u>1,522,688</u>	<u>-</u>
Capital assets net of accumulated depreciation:					
Building and structures	2,205,143	204,753	-	2,409,896	-
Improvements other than buildings	103,060	-	-	103,060	-
Water system infrastructure	9,955,237	-	160,395	10,115,632	-
Machinery and equipment	353,839	-	316,312	670,151	1,530,331
Total capital assets being depreciated	<u>12,617,279</u>	<u>204,753</u>	<u>476,707</u>	<u>13,298,739</u>	<u>1,530,331</u>
Total capital assets, net	<u>14,139,967</u>	<u>204,753</u>	<u>476,707</u>	<u>14,821,427</u>	<u>1,530,331</u>
Total noncurrent assets	<u>18,087,605</u>	<u>204,753</u>	<u>1,062,586</u>	<u>19,354,944</u>	<u>1,530,331</u>
Total assets	<u>22,110,193</u>	<u>1,039,538</u>	<u>16,340,810</u>	<u>39,490,541</u>	<u>9,082,542</u>
Liabilities					
Current liabilities:					
Accounts payable	222,004	267,696	17,980	507,680	43,013
Deposits payable	85,965	23,220	-	109,185	-
Current portion of compensated absences payable (notes 9 and 12)	8,650	4,870	-	13,520	14,280
Accrued liabilities	38,520	9,388	-	47,908	20,779
Due to other funds (note 5)	-	178	-	178	-
Accrued interest payable	19,277	-	171,483	190,760	-
Current portion of capital lease payable (note 11 and 12)	-	-	65,444	65,444	-
Current portion of certificates of participation payable (note 12)	180,000	-	-	180,000	-
Total current liabilities	<u>554,416</u>	<u>305,352</u>	<u>254,907</u>	<u>1,114,675</u>	<u>78,072</u>
Noncurrent liabilities:					
Compensated absences payable (notes 9 and 12)	88,550	5,950	-	94,500	81,900
Advances from other funds (note 5)	-	-	-	-	15,000
Capital lease payable (note 11 and 12)	-	-	130,887	130,887	-
Certificates of participation payable (net of unamortized discount) (note 12)	1,290,000	-	15,750,000	17,040,000	-
Total noncurrent liabilities	<u>1,378,550</u>	<u>5,950</u>	<u>15,880,887</u>	<u>17,265,387</u>	<u>96,900</u>
Total liabilities	<u>1,932,966</u>	<u>311,302</u>	<u>16,135,794</u>	<u>18,380,062</u>	<u>174,972</u>
Net assets					
Invested in capital assets, net of related debt	12,669,967	204,753	280,376	13,155,096	1,530,331
Restricted for debt service	264,560	-	1,323,442	1,588,002	-
Unrestricted	7,242,700	523,483	(1,398,802)	6,367,381	7,377,239
Total net assets	<u>\$ 20,177,227</u>	<u>\$ 728,236</u>	<u>\$ 205,016</u>	<u>21,110,479</u>	<u>\$ 8,907,570</u>
Some amounts reported for <i>business-type activities</i> in the statement of net assets are different to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>40,761</u>	
Net assets of business-type activities				<u>\$ 21,151,240</u>	

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2010

	Enterprise Funds				Internal Service Funds
	Water Utility	Environmental	Sewer	Total	
Operating Revenues:					
Water sales	\$ 6,314,482	\$ -	\$ -	\$ 6,314,482	\$ -
Environmental fees	-	3,735,408	-	3,735,408	-
Sewer fees	-	-	970,717	970,717	-
Information technology charges	-	-	-	-	1,199,440
Motor pool charges	-	-	-	-	1,369,118
Fire line fees	70,385	-	-	70,385	-
Meter installation fees	61,724	-	-	61,724	-
Late fees	108,951	-	-	108,951	-
Antenna rentals and other	70,261	-	-	70,261	-
Total operating revenues	<u>6,625,803</u>	<u>3,735,408</u>	<u>970,717</u>	<u>11,331,928</u>	<u>2,568,558</u>
Operating expenses:					
General and administrative	921,618	385,870	688,638	1,996,126	-
Management information systems	-	-	-	-	631,218
Utility billing	109,789	66,317	-	176,106	-
Customer service	314,212	-	-	314,212	-
Source and supply	2,135,247	-	-	2,135,247	-
Production and storage	446,230	-	-	446,230	-
Transmission and distribution	960,513	-	-	960,513	-
Street sweeping	-	139,222	-	139,222	-
Environmental services	-	171,831	-	171,831	-
Refuse collection	-	1,848,314	-	1,848,314	-
Waste management	-	972,185	-	972,185	-
Central equipment	-	-	-	-	982,083
Depreciation	464,462	6,967	12,527	483,956	356,465
Total operating expenses	<u>5,352,071</u>	<u>3,590,706</u>	<u>701,165</u>	<u>9,643,942</u>	<u>1,969,766</u>
Operating income	<u>1,273,732</u>	<u>144,702</u>	<u>269,552</u>	<u>1,687,986</u>	<u>598,792</u>
Nonoperating revenues (expenses):					
Investment loss-CIC (note 18)	(66,408)	-	-	(66,408)	-
Investment earnings	55,052	2,632	103,184	160,868	52,392
Interest expense	(87,476)	-	(605,221)	(692,697)	(5,902)
Loss on sale and disposal of capital assets	(33,696)	-	-	(33,696)	(1,586)
Total nonoperating revenues (expenses)	<u>(132,528)</u>	<u>2,632</u>	<u>(502,037)</u>	<u>(631,933)</u>	<u>44,904</u>
Income (loss) before transfers	1,141,204	147,334	(232,485)	1,056,053	643,696
Transfer in	-	5,212	437,501	442,713	5,393,000
Transfer out	(11,556)	-	-	(11,556)	(1,000,000)
Change in net assets	1,129,648	152,546	205,016	1,487,210	5,036,696
Net assets at beginning of year	<u>19,047,579</u>	<u>575,690</u>	<u>-</u>	<u>-</u>	<u>3,870,874</u>
Net assets at end of year	<u>\$ 20,177,227</u>	<u>\$ 728,236</u>	<u>\$ 205,016</u>	<u>\$ -</u>	<u>\$ 8,907,570</u>

Some amounts reported for *business-type activities* in the statement of activities are different to reflect the consolidation of internal service fund activities related to enterprise funds.

	4,607
Change in net assets of business-type activities	\$ 1,491,817

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2010

	Enterprise Funds				Internal Service Funds
	Water Utility	Environmental	Sewer	Total	
Cash flows from operating activities:					
Cash received from customers, users and grants	\$ 6,538,009	\$ 3,806,743	\$ 935,114	\$ 11,279,866	\$ 2,669,939
Deposits	5,501	8,950	-	14,451	-
Cash paid to suppliers for goods and services	(2,905,313)	(3,011,894)	(277,949)	(6,195,156)	(922,412)
Cash paid to employees for services	(994,617)	(263,088)	-	(1,257,705)	(592,331)
Cash paid for interfund services-net	(1,017,560)	(288,197)	(392,710)	(1,698,467)	(164,751)
Net cash provided by operating activities	<u>1,626,020</u>	<u>252,514</u>	<u>264,455</u>	<u>2,142,989</u>	<u>990,445</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(2,218,274)	-	(489,234)	(2,707,508)	(793,884)
Principal paid on advances from other funds	-	-	-	-	(108,050)
Interest paid on advances from other funds	-	-	-	-	(5,902)
Principal paid on certificates of participation	(170,000)	-	-	(170,000)	-
Bond financing (net of deferred issuance costs)	-	-	15,460,504	15,460,504	-
Capital lease payments	-	-	(130,888)	(130,888)	-
Interest paid on certificates of participation	(87,476)	-	(402,902)	(490,378)	-
Net cash provided (used) by capital and related financing activities	<u>(2,475,750)</u>	<u>-</u>	<u>14,437,480</u>	<u>11,961,730</u>	<u>(907,836)</u>
Cash flows from non-capital related financing activities:					
Transfers from other funds	-	5,212	437,501	442,713	5,408,000
Transfers to other funds	(11,554)	-	-	(11,554)	(1,000,000)
Net cash provided (used) by non-capital and related financing activities	<u>(11,554)</u>	<u>5,212</u>	<u>437,501</u>	<u>431,159</u>	<u>4,408,000</u>
Cash flows from investing activities:					
Interest received on investments	55,052	2,632	103,184	160,868	52,392
Net increase (decrease) in cash and cash equivalents	(806,232)	260,358	15,242,620	14,696,746	4,543,001
Cash and cash equivalents beginning of year	3,419,385	-	-	3,419,385	2,917,876
Cash and cash equivalents end of year	<u>\$ 2,613,153</u>	<u>\$ 260,358</u>	<u>\$ 15,242,620</u>	<u>\$ 18,116,131</u>	<u>\$ 7,460,877</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income	\$ 1,273,732	\$ 144,702	\$ 269,552	\$ 1,687,986	\$ 598,792
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	464,462	6,967	12,527	483,956	356,465
Change in operating assets and liabilities:					
Decrease (increase) in other taxes receivable	-	119,532	(35,604)	83,928	-
Decrease (increase) in accounts receivable	(87,794)	(48,196)	-	(135,990)	1,214
Increase in due from other governments	-	-	-	-	(2,182)
Decrease in prepaid expenses	198	301	-	499	50,190
Increase in inventories	(9,539)	-	-	(9,539)	(1,911)
Increase (decrease) in accounts payable	(4,794)	19,256	17,980	32,442	(23,670)
Increase in deposits payable	5,501	8,950	-	14,451	-
Increase (decrease) in compensated absences payable	(28,990)	1,090	-	(27,900)	6,100
Increase in accrued liabilities	13,244	1,979	-	15,223	5,447
Decrease in due to other funds	-	(2,067)	-	(2,067)	-
Total adjustments	<u>352,288</u>	<u>107,812</u>	<u>(5,097)</u>	<u>455,003</u>	<u>391,653</u>
Net cash provided by operating activities	<u>\$ 1,626,020</u>	<u>\$ 252,514</u>	<u>\$ 264,455</u>	<u>\$ 2,142,989</u>	<u>\$ 990,445</u>
Noncash capital, financing and investing activities					
Investment loss-Covina Irrigating Company	\$ (66,408)	\$ -	\$ -	\$ (66,408)	\$ -
Amortization of discount	(5,335)	-	(30,836)	(36,171)	-
Retirement of capital assets	(426,876)	-	-	(426,876)	(874,978)
Retirement of accumulated depreciation on capital assets	393,180	-	-	393,180	873,392
Net effect on noncash activities	<u>\$ (105,439)</u>	<u>\$ -</u>	<u>\$ (30,836)</u>	<u>\$ (136,275)</u>	<u>\$ (1,586)</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2010

Assets		
Cash and investments		<u>250</u>
Liabilities		
Due to association		<u>250</u>

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The financial statements of the City of Covina include the financial activities of the City, the Covina Redevelopment Agency and the Covina Public Financing Authority. Their financial operations are closely related and the City Council has a continuing responsibility over the entities. The responsibility is determined on the basis of budget adoption, taxing authority, funding and appointments of the governing board. Blended component units, although legally separate entities, are part of the City's operations and so data from these units are combined with data of the City.

Since the Covina City Council acts as the Board of Directors and is able to impose its will on the Covina Redevelopment Agency and the Covina Public Financing Authority, the City is considered to be the primary government and the other two entities are component units. Additionally, since the governing boards of the City and the two other component units are the same, the financial statements of the City and the two component units are blended. The financial statements of the Redevelopment Agency and the Public Financing Authority can be obtained from the Covina Finance Department located at Covina City Hall 125 East College Street.

The City of Covina was incorporated in 1901 as a "General Law" City. The City provides a broad range of services to its citizens, including general government, public safety, streets, sanitation and health, culture and park facilities, and social services.

The Covina Redevelopment Agency was established in 1969, pursuant to the State of California Health and Safety Code, Section 33000. Its purpose is to prepare and carry out plans for the improvement, rehabilitation and development of blighted areas within the territorial limits of the City of Covina.

The Covina Public Financing Authority is a joint powers authority organized pursuant to the State of California Government Code, Section 6500. The Authority exists under a Joint Exercise of Power Agreement between the City of Covina and the Covina Redevelopment Agency. Its purpose is to facilitate financing for public capital improvements of the City and Agency.

The accounting policies of the City of Covina, the Covina Redevelopment Agency and the Covina Public Financing Authority conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

B. Government-wide and Fund Financial Statements

The accompanying financial statements are presented on the basis prescribed in Government Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The *Basic Financial Statements* of the City are as follows:

Government-wide Financial Statements

The *Statement of Net Assets* and *Statement of Activities* report information on all of the activities of the primary government (including its blended component units). The City of Covina has no discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and

contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

Separate financial statements of the City, including blended component units, are provided for major individual governmental, proprietary, and agency funds, even though the latter are excluded from the government-wide financial statement. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. With this measurement focus, all assets and all liabilities associated with the operation of the City are included on the statement of net assets. Net assets (assets less liabilities) are segregated into invested in capital assets (net of related debt), restricted and unrestricted components. Statement of Activities and Statement of Revenues, Expenses and Changes in Fund Net Assets of Proprietary Funds present increases (revenues) and decreases (expenses) in net total assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Under this determination, unbilled service receivables are recorded at year-end.

Nonexchange transactions are typically described as taxes, fines and certain grants and donations. In a nonexchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual; i.e., when they become measurable and available to finance expenditures of the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues excluding property taxes to be available if they are collected within 90 days of the end of the current fiscal period. Property taxes are considered available if they are collected within 60 days of the current fiscal period. Certain grant revenues are considered to be available if they are collected within 9 months of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized when due. General capital asset acquisitions and debt service principal payments are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for services and investment earnings are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Licenses and permits, and fines and forfeitures are not susceptible to accrual because they are not measurable until received in cash. Grant revenues earned but not received are recorded as a receivable, and grants received before the related revenue recognition criteria have been met are reported as deferred revenues.

The City of Covina reports the following major governmental funds:

General Fund

This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Low-Moderate Income Housing Fund

The special revenue fund accounts for the revenues and expenditures associated with the Covina Redevelopment Agency low-moderate income housing program. The revenue recorded in this fund is the twenty percent (20%) required amount to be set aside from tax increment revenue received in the Covina Redevelopment Agency.

Tax Allocation Fund

The debt service fund accounts for revenues and expenditures that are restricted for the payment of principal, interest and fiscal charges on general long-term indebtedness of the Covina Public Financing Authority and Covina Redevelopment Agency.

Redevelopment Agency Fund

The capital projects fund accounts for the financial resources that are restricted for economic development activities in the Covina Redevelopment Agency.

The City reports the following major proprietary funds:

Water Utility Fund

This enterprise fund is used to account for general and administrative, utility billing, customer service, sales promotion, source and supply, production and storage, and transmission and distribution operations.

Environmental Fund

The enterprise fund accounts for the general and administrative, utility billing, street sweeping, environmental services, refuse collection and waste management operations.

Sewer Fund

The enterprise fund accounts for the operation and maintenance of the wastewater system within the City's boundaries.

Additionally, the City reports the following fund types:

Internal Service Funds

These funds account for the central equipment, management information systems, worker's compensation and general liability services provided to other departments of the City.

In reporting the financial activities of its business-type activities and proprietary funds, the City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures. The City has elected not to follow subsequent pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges for the City water utility, environmental and sewer services and indirect general government expenses to other functions and funds of the City. Elimination of the water utility and environmental service charges would distort the direct costs and program revenues reported for the various functions concerned. Expenses reported in various funds include allocated indirect general government expenses.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses from operations generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility, Environmental and Sewer enterprise funds and the City's internal service funds are charges to customers for sales and services. The Water Utility recognizes as operating revenue capital improvement fees intended for construction and rehabilitation of the water system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded, is employed in governmental funds. Amounts encumbered in the current year are treated as restricted, committed or assigned fund equity since they do not constitute expenditures or liabilities. At year end, encumbrances outstanding are shown as restricted, committed or assigned fund balance.

E. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Cash and Cash Equivalents

The City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments, except for cash and investments with fiscal agents, are pooled with the City's pooled cash and investments, and are therefore considered cash equivalents.

G. Investments

Investments are stated at fair value using quoted market prices. Investment elements, including interest and changes in fair value, are aggregated and reported as investment income in the statement of revenues, expenses, and changes in net assets.

H. Inventories and Prepaid Items

Inventories are priced at the lower of cost or market on a first-in, first-out basis. The inventories consist primarily of water parts, vehicle and equipment parts and gasoline. Inventories of governmental funds are considered immaterial and are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

I. Compensated Absences

The City permits employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and a portion of the sick pay are accrued when incurred in the government-wide and proprietary fund financial statements (see notes 9 and 12).

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2010

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, water, sewer and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with a cost of more than \$5,000 (more than \$1,000 for certain vehicles and information technology equipment) and an estimated useful life of more than two years. Such assets are recorded at historical or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major capital outlays and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed in the enterprise funds.

Property, plant and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Type of Asset</u>	<u>Life in Years</u>
Buildings and structures	20 - 40 years
Improvements other than buildings	20 years
Public domain infrastructure	15 - 50 years
Water system infrastructure	20 - 50 years
Sanitary sewer system infrastructure	20 - 50 years
Machinery and equipment	5 - 20 years

K. Land Held for Resale

Land held for resale is carried at the lower of cost or estimated realizable value. Fund balances are restricted in amounts equal to the carrying value of land held for resale because such assets are not available to finance the City's current operations.

L. Leased Property

The City and Covina Redevelopment Agency own and lease certain properties located in the City to various tenants. The following is a list of properties and tenants:

<u>Lessor/Lessee</u>	<u>Address Leased</u>	<u>Type of Property</u>	<u>Lease-Term Beginning/Ending</u>	<u>Monthly Rent</u>
<i>City of Covina</i>				
Comcast	Public right of way	Easements	Month to month	5% franchise
Bank of America	212 E. Badillo St.	ATM site	12/04/08 – 12/03/13	\$ 3,500
Nextel	2001 Edmund Halley	Communication	Month to month	\$ 1,267
Verizon Wireless	P.O. Box 2167	Communication	Month to month	\$ 1,276
T-Mobile	6100 Atlantic Blvd	Communication	Month to month	\$ 568
Sprint	P.O. Box 7977	Communication	Month to month	\$ 1,005
<i>Covina Redevelopment Agency</i>				
Pry Properties	528 S. Citrus Ave.	Commercial	2/03/86-10/31/17	\$ 4,119
Bozzani Volvo	626 S. Citrus Ave.	Commercial	6/01/01-10/31/16	\$ 5,560
Jack in the Box	602 S. Citrus Ave.	Commercial	Month to month	\$ 6,450

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2010

Off Citrus, Inc.	114 E. Italia	Commercial	Month to month	\$ 780
Enterprise Car Sales	635 S. Citrus Ave.	Commercial	Month to month	\$ 7,735
La Tazza	116 E. School	Commercial	5/01/07 – 4/30/12	\$ 900
RJS/Seidner	1151 N. Azusa	Commercial	9/02/99 – 6/30/17	\$41,507

Operating Leases

The City of Covina, Water Utility Enterprise fund and Covina Redevelopment Agency receive some of its operating revenues in the form of rent payments from lessees of the parcels of land. The period of these leases could range from 3-18 years. The rent paid to the by each lessee is a set monthly amount determined by the lease agreement. All leases are cancellable.

M. Capitalization of Leases

Leases have been capitalized, where appropriate, in accordance with the Financial Accounting Standards Board Statement No. 13, "Accounting for Leases."

N. Claims and Judgments

The accrual for workers' compensation and general liability claims is based upon an actuarial review of the past experience which has been modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2010 is dependent on future developments, based on information from the plan administrators, City management believes that the aggregate accrual is adequate to cover such losses, including amounts for incurred but not reported claims (see notes 10 and 12).

O. Net Assets

The statement of net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law or judgment. At June 30, 2010, the Restricted Net Assets are \$58,705,455, of which, \$199,291 is restricted by enabling legislation.

Unrestricted Net Assets – This category represents net assets of the City not restricted for any project or other purpose.

P. Implementation of Governmental Accounting Standards Bard (GASB) Statement

In February 2009, GASB released a new Statement, *GASB Statement 54 - Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The initial distinction in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The City has elected to early implement this Statement in the current fiscal year, and

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
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the details for the fund balance classifications prescribed under this Statement are separately discussed in Note 15.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences Between Governmental Fund Balance Sheets and the Statement of Net Assets

“Total fund balances” of the City’s governmental funds is \$67,034,897 which differs from “net assets” of \$123,992,705 in governmental activities reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. The main differences are as follows:

Capital Assets

Capital assets purchased or constructed for governmental activities are reported as expenditures in the governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 159,209,899
Accumulated depreciation	<u>(67,873,442)</u>
	<u>\$ 91,336,457</u>

Long-term Receivables and Deferred Revenue

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (long-term loans and notes receivable) are offset by deferred revenue in the governmental funds and not included in fund balance. Deferred revenue associated with the long-term loans and notes receivable is not included in the statement of net assets.

Adjustment of deferred revenue	<u>\$ 1,164,192</u>
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Deferred Charges

Bond issuance costs are reported as other financing uses in the governmental funds. These costs are deferred in the statement of activities and amortized over the life of the bond.

Deferred charges addition	<u>\$1,251,170</u>
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Accrued Interest Payable

Accrued interest payable applicable to the City’s governmental activities (tax allocation bonds) is not due and payable in the current period and accordingly is not reported as fund liabilities. The statement of net assets includes accrued interest associated with the tax allocation bonds.

Accrued interest payable addition	<u>\$ (116,766)</u>
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Other Postemployment Benefits

Postemployment benefit obligation (other than pensions) is not a financial resource in the current period and therefore is not reported in the funds. All postemployment benefit payments are reported as expenditures in the funds.

	<u>\$ (37,302)</u>
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Long-term Liabilities

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. Long-term liabilities (both current and long-term) are reported in the statement of net assets.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
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Compensated absences payable	\$ (2,123,470)
Claims and judgments payable	(4,748,000)
Notes payable	(656,516)
Capital lease payable	(403,320)
Tax allocation bonds payable (net of unamortized premium)	(36,012,009)
Revenue bonds payable (net of unamortized premium)	<u>(1,897,216)</u>
	<u><u>\$(45,840,531)</u></u>

Property Taxes Receivable

Property taxes receivable collectible after 60 days of year-end are not available to pay for current period expenditures and are shown as deferred revenue in governmental funds.

Property taxes receivable	<u>\$333,779</u>
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Internal Service Funds

Internal service funds are used by management to charge the costs of the central equipment, management information systems, worker's compensation and general liability activities to individual funds. The internal service funds assets and liabilities are included in governmental activities in the statement of net assets.

Net assets of internal service funds	<u>\$8,866,809</u>
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B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

The "net change in fund balances" decrease of \$10,400,931 for governmental funds differs from the "change in net assets" decrease of \$6,641,098 for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital Assets

Capital assets purchased or constructed for governmental activities are reported as expenditures in the governmental funds. The statement of activities allocates those capital assets over their estimated useful lives as a depreciation expense charged for the year. Gains or losses on sale and disposal of capital assets are reported only in the redevelopment agency governmental fund.

Capital outlay	\$ 3,080,982
Depreciation expense	(6,076,884)
Loss on disposal of capital assets	(1,053,974)
	<u><u>\$ (4,049,876)</u></u>

Long-term Receivables

Because the focus of governmental funds is on short-term financing, some assets (long-term loans and notes receivables) are offset by deferred revenue and reported as expenditures in the governmental funds. The loans and notes are not reported as expenses in the statement of activities.

Change in operating expense	<u>\$ 228,243</u>
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Property Taxes Receivable

Incremental property tax not collected within 60 days after year-end is deferred in the funds but is recognized in the statement of activities on the accrual basis of accounting.

Property taxes receivable	<u>\$ (333,779)</u>
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CITY OF COVINA, CALIFORNIA
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Interest on Long-term Debt

Accrued interest payable applicable to the City's governmental activities (tax allocation bonds) is not due and payable in the current period and accordingly is not reported as interest expense in governmental funds. The statement of activities reports accrued interest associated with the tax allocation bonds. Unamortized charges and premiums are included in the statement of net assets and are amortized in the statement of activities.

Change in interest on long-term debt	\$ 2,991
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Other Postemployment Benefit

Change in postemployment benefits other than pension on a pay as you go basis	\$ 51,552
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Long-term Liabilities

Bonds issued are reported as other financing sources. Principal retirement payments are reported as expenditures in the governmental funds and thus, contribute to the change in fund balance. Issuing bonded debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Principal bond payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. Other long-term liabilities are not recorded as expenditures in the governmental funds but as expenses in the statement of activities.

Principal retirement	\$ 2,880,619
Amortization of bond premium	75,683
Amortization of deferred charges	(97,555)
Change in claims and judgments	22,000
Change in compensated absences	259,641
Current year interest accretion	(383,459)
Debt issuance	(486,788)
	<u>\$ 2,270,141</u>

Internal Service Funds

Internal service funds are used by management to charge the costs of the central equipment, management information systems, workers' compensation and general liability activities to individual funds. The adjustments for internal service funds "closes" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.

Net change in net assets of internal service funds	\$ 5,032,089
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3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) City departments submit budget and service requests to the City Manager. The City Manager prepares a recommended budget to be presented to the City Council.
- 2) The annual budget is adopted by the City Council on or before June 30 of each fiscal year after holding public hearings to receive input for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.
- 3) The appropriated budget is prepared by fund, program, and activity. Departments may make appropriation transfers within activities. The City Manager is authorized to make appropriation transfers between activities within funds excluding the contingency appropriation. The City Council approves

CITY OF COVINA, CALIFORNIA
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June 30, 2010

total budgeted appropriations and any amendments between funds and the use of contingency appropriation. This "appropriated budget" covers City expenditures in all governmental funds. Actual expenditures may not exceed budgeted appropriations at the activity level within each fund. Budget figures used in the accompanying financial statements are the original budget including prior year carryovers and the final budget including current year amendments.

- 4) Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Encumbrances lapse at year end, and then are added to the following year's budgeted appropriations.
- 5) Annual budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the proprietary funds, as the City is not legally required to adopt budgets for this fund type.
- 6) Appropriations for capital projects and certain grants and contributions authorized but not constructed or completed during the year lapse at year end, and then are included as part of appropriations in the following year's annual budget.
- 7) Under Article XIII B of the California Constitution (the Gann Spending Limitation), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements.

B. Excess of Charges over Appropriations

For the fiscal year ended June 30, 2010, expenditures exceeded appropriations as follows:

	Final Budget	Actual	Variance
Other governmental funds:			
Narcotic Seizure Special Revenue Fund	\$ -	\$ 30,073	\$ 30,073
Sewer Assessment District Special Revenue Fund	-	437,500	437,500
City Donation Special Revenue Fund	-	316,289	316,289
Other Grants Sepcial Revenue Fund	114,230	217,618	103,388

C. Deficit Fund Equity

The Community Development Block Grant special revenue had a deficit fund balance of \$10 as of June 30, 2010. This difference is due to rounding between expenses and reimbursements. The Lighting Assessment District special revenue fund had a deficit fund balance of \$18,252 as of June 30, 2010. This fund incurs more expenses than it collects for services rendered. Landscaping Assessment District special revenue fund had a deficit fund balance of \$1,126 as of June 30, 2010. This fund incurs more expenses than it collects for services rendered. Community Facilities District (CFD) special revenue fund had a deficit fund balance of \$27,108 as of June 30, 2010. The fund incurred initial costs for the creation of the CFD. Future collection of assessments from the CFD will pay for the initial costs.

4. CASH AND INVESTMENTS

The City of Covina is following the requirements associated with the Governmental Accounting and Standards Board Statement No. 40 *Deposit and Investment Risk Disclosures*. More commonly referred to as GASB 40, this statement is effective beginning with fiscal years ending June 30, 2010 and adds to and changes financial statement disclosure requirements for cash and investments of local governments. GASB 40, amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* to address common deposit and investment risks related to credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values with a high sensitivity to interest rate changes.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2010

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 52,963,920
Restricted cash and investments - fiscal agent	<u>16,723,835</u>
Total cash and investments	<u><u>\$ 69,687,755</u></u>

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$ 9,960
Deposits with financial institutions	8,689,755
Investments	<u>60,988,040</u>
Total cash and investments	<u><u>\$ 69,687,755</u></u>

Authorized Investments

Under provision of the City's investment policy, in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Credit Risk
Mutual funds (money market funds)	90 days	10%	None	n/a
Bankers acceptance	180 days	20%	None	n/a
Commercial paper	180 days	15%	None	"Prime"
Certificates and time deposits	2 years	10%	None	n/a
Corporate Notes	2 years	10%	None	AAA
U.S. Agency Securities	5 years	30%	10%	AAA
Local Agency Investment Fund (LAIF)	N/A	None	None	n/a

Investments Authorized by Debt Agreements

Investment of debt proceeds and reserves held by bond trustees are governed by the debt agreements, rather than the general provisions of the California Government Code. The City and Agency bond reserves are held in money market mutual funds.

Interest Rate Risk

Changes in interest rates could adversely affect the fair market values of an investment. The interest rate risk is monitored by measuring the weighted average maturity of its portfolio. Generally, the longer the maturity of an investment, the greater sensitivity of its fair market value to changes in market interest rates. The City manages its exposure to declines in market values by limiting the weighted average maturity of its investments to less than twenty-four months. The investments held by bond trustees are primarily invested in highly liquid money market mutual funds, and thus are not highly sensitive to interest rate fluctuations.

CITY OF COVINA, CALIFORNIA
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Investment type	Fair Value	Weighted Average Maturity (Years)
State investment pool	\$ 6,351,751	0.53
Federal Agency Securities	9,437,607	1.59
U.S. Treasury Notes	25,033,772	1.60
Money market funds	2,912,232	0.57
Corporate Notes	528,842	1.43
Held by bond trustee-money market funds	16,723,836	1.00
Total	<u>\$ 60,988,040</u>	

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City of Covina's investment policy, or debt agreements and the actual rating as of year end for each investment type:

	Minimum Credit Rating	Rating as of June 30, 2010		Total
		AAA	Not Rated	
State investment pool	N/A	\$ -	\$ 6,351,751	\$ 6,351,751
Federal Agency Securities	N/A	9,437,607	-	9,437,607
U.S. Treasury Notes	N/A	25,033,772	-	25,033,772
Money market funds	AAA	2,912,232	-	2,912,232
Corporate Notes	AA-/Aa-	528,842	-	528,842
Held by bond trustee-money market funds	N/A	-	16,723,836	16,723,836
		<u>\$ 37,912,453</u>	<u>\$ 23,075,587</u>	<u>\$ 60,988,040</u>

Concentration of Credit Risk

The investment policy of the City of Covina contains no limitations on the amount that can be invested in any one issuer beyond that which is stipulated by the California Government Code. There are no investments that represent 5% or more for total City of Covina investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City of Covina's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2010, \$8,065,807 of the City of Covina's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts. As of June 30, 2010, City of Covina investments in the following investment types were exposed to custodial credit risk because they were held by the same broker dealer (counterparty) that was used by the City to purchase the securities:

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
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Investment type	<u>Amount</u>
Corporate Notes	\$ 528,842
Federal Agency Securities	9,437,607
U.S. Treasury Notes	25,033,772

Investment in State Investment Pool

The City of Covina is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon our pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on LAIF accounting records, recorded on an amortized basis.

The total amount invested by all public agencies in LAIF as of June 30, 2010 \$23.3 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2010 had a balance of \$69.4 billion. Of that amount, 11% was invested in structured notes and asset-backed securities. The average maturity of PMIA investments was 203 days as of June 30, 2010.

5. INTERFUND TRANSACTIONS

A. Interfund Balances

Operating receivables between funds are classified as due from or due to other funds. Negative individual fund cash and investment balances are offset by a due from other funds in the General Fund with a due to other funds set up in those funds owing the General Fund. The following are due from and due to balances as of June 30, 2010:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Non-major governmental funds	\$ 309,211
	Environmental	178
Low-Moderate Income Housing	Tax Allocation	4,364
	Non-major governmental funds	1,222
Tax Allocation	General	187,186
Redevelopment Agency	General	62,260
	Non-major governmental funds	269
Management Information Systems	Redevelopment Agency	154
Central Equipment	Low-Moderate Income Housing	590
Non-major governmental funds	Low-Moderate Income Housing	2,865
	Redevelopment Agency	576
Total		<u>\$ 568,875</u>

B. Interfund Transfers

Transfers between funds are generally subsidies from one fund to another fund. The General Fund is the major fund that provides ongoing support to other funds. The following are the interfund transfers for fiscal year ended June 30, 2010:

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2010

Transfers In Fund	Transfers Out Fund	Amount
General	Central Equipment	\$ 1,000,000
	Non-major governmental funds	517,527
Redevelopment Agency	Tax Allocation	3,099,250
	Non-major governmental funds	134,750
Environmental	Non-major governmental funds	5,212
Sewer	Water Utility	11,556
	Non-major governmental funds	425,945
Non-major governmental funds	Redevelopment Agency	269,500
	Non-major governmental funds	332,115
	General	155,656
Workers Compensation	General	3,720,000
General Liability	General	1,673,000
Total		<u>\$ 11,344,511</u>

C. Advances To/Advances From Other Funds

Advances to/from other funds are non-current interfund loans and are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriations and are not expendable available financial resources. The advance from the Low-Moderate Income Housing fund to the Tax Allocation fund is payable at \$44,000 per year until paid, at 0% interest. The remaining advances have a 0% interest rate and are repayable within the next year. The following are advances to/from other funds as of June 30, 2010:

Receivable Fund	Payable Fund	Amount
General	Worker's Compensation	\$ 15,000
Low-Moderate Income Housing	Tax Allocation	2,911,549
	Redevelopment Agency	522,460
Redevelopment Agency	General	482,576
Total		<u>\$ 3,931,585</u>

D. Internal Balances

Internal balances represent the net interfund receivables and payables remaining after elimination of all such balances within governmental and business-type activities.

6. PROPERTY TAXES

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. Any unpaid amounts at the end of the fiscal year are recorded as property taxes receivable. The County of Los Angeles bills and collects the property taxes and subsequently remits the amount due to the City of Covina in installments during the year. Historically, the City has received substantially all of the taxes levied within two years from the date they are levied.

The County is permitted by State Law (Article XIII A of the California Constitution) to levy taxes at one percent (1%) of full market value (at time of purchase) and can increase the property's value no more than two percent (2%) per year. The City receives a share of this basic levy proportionate to what it received in the 1976 to 1978 period.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2010

	Balance July 1, 2009	Adjustment	Additions	Deletions	Balance June 30, 2010
Governmental activities					
Capital assets, not depreciated:					
Land	\$ 7,875,010	\$ -	\$ 425,610	\$ -	\$ 8,300,620
Construction in progress	864,877	(13,591)	2,593,139	(3,178,472)	265,953
Total capital assets, not depreciated	<u>8,739,887</u>	<u>(13,591)</u>	<u>3,018,749</u>	<u>(3,178,472)</u>	<u>8,566,573</u>
Capital assets, depreciated:					
Buildings and structures	30,025,147	(24,075)	104,951	(20,442)	30,085,581
Improvements other than buildings	3,916,165	(10,602)	32,586	-	3,938,149
Public domain infrastructure	105,793,914	10,602	3,099,748	(1,054,858)	107,849,406
Sanitary sewer infrastructure	6,334,967	-	-	(3,841)	6,331,126
Machinery and equipment	9,337,297	24,075	810,897	(907,794)	9,264,475
Total capital assets, depreciated	<u>155,407,490</u>	<u>-</u>	<u>4,048,182</u>	<u>(1,986,935)</u>	<u>157,468,737</u>
Less accumulated depreciation for:					
Buildings and structures	(6,728,065)	-	(620,627)	20,442	(7,328,250)
Improvements other than buildings	(2,625,493)	-	(117,460)	-	(2,742,953)
Public domain infrastructure	(47,604,988)	-	(4,860,075)	-	(52,465,063)
Sanitary sewer infrastructure	(3,432,586)	(192,094)	(93,081)	3,841	(3,713,920)
Machinery and equipment	(7,275,414)	-	(550,014)	907,092	(6,918,336)
Total accumulated depreciation	<u>(67,666,546)</u>	<u>(192,094)</u>	<u>(6,241,257)</u>	<u>931,375</u>	<u>(73,168,522)</u>
Total capital assets, depreciated, net	<u>87,740,944</u>	<u>(192,094)</u>	<u>(2,193,075)</u>	<u>(1,055,560)</u>	<u>84,300,215</u>
Total capital assets, net	<u>\$ 96,480,831</u>	<u>\$ (205,685)</u>	<u>\$ 825,674</u>	<u>\$ (4,234,032)</u>	<u>\$ 92,866,788</u>

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Business-type activities				
Capital assets, not depreciated:				
Land	\$ 377,408	\$ -	\$ -	\$ 377,408
Construction in progress	184,720	2,323,583	(1,363,023)	1,145,280
Total capital assets, not depreciated	<u>562,128</u>	<u>2,323,583</u>	<u>(1,363,023)</u>	<u>1,522,688</u>
Capital assets, depreciated:				
Buildings and structures	4,146,188	-	(148,400)	3,997,788
Improvements other than buildings	132,916	-	-	132,916
Water system infrastructure	13,943,957	1,363,023	(123,749)	15,183,231
Machinery and equipment	1,397,629	327,219	(154,727)	1,570,121
Total capital assets, depreciated	<u>19,620,690</u>	<u>1,690,242</u>	<u>(426,876)</u>	<u>20,884,056</u>
Less accumulated depreciation for:				
Buildings and structures	(1,627,437)	(75,159)	114,704	(1,587,892)
Improvements other than buildings	(24,285)	(5,571)	-	(29,856)
Water system infrastructure	(4,910,117)	(281,231)	123,749	(5,067,599)
Machinery and equipment	(932,702)	(121,995)	154,727	(899,970)
Total accumulated depreciation	<u>(7,494,541)</u>	<u>(483,956)</u>	<u>393,180</u>	<u>(7,585,317)</u>
Total capital assets, depreciated, net	<u>12,126,149</u>	<u>1,206,286</u>	<u>(33,696)</u>	<u>13,298,739</u>
Total capital assets, net	<u>\$ 12,688,277</u>	<u>\$ 3,529,869</u>	<u>\$ (1,396,719)</u>	<u>\$ 14,821,427</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
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Depreciation expense was charged to the following activities:

Governmental activities:	
General government	\$ 26,449
Public safety	196,395
Public works	5,177,719
Culture and recreation	207,703
Transit	255,921
Redevelopment and housing	212,699
Internal service funds charged to various functions	<u>356,465</u>
Total governmental activities	<u>\$ 6,433,351</u>
Business-type activities	
Water utility	\$ 464,462
Environmental protection	6,967
Sewer	<u>12,527</u>
Total business-type activities	<u>\$ 483,956</u>

At June 30, 2010, \$7.58 million is committed for capital projects related to the sewer system improvement project.

During the year, the City disposed of capital assets which resulted in a net loss of \$1,053,974. This was recorded as an expense in the public works department in the Statement of Activities.

8. RETIREMENT PLANS

A. Defined Benefit Pension Plan

Plan Description: The City of Covina contributes to the California Public Employees' Retirement System (PERS); an agent multiple-employer public employee defined benefit pension plan for miscellaneous employees, and a cost-sharing pension plan for safety employees. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding policy: Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate: the current rate is 8.425% for non-safety employees and 7.526% for police employees, of annual covered payroll. The Los Angeles County Fire District has provided contractual fire protection and emergency medical services to the City of Covina since February 1998 and the City no longer contributes to PERS for fire employees. Contribution requirements of plan members and the City are established by the state legislature and may not be amended by PERS.

The funded status of the plan based on the June 30, 2008 actuarial valuation is as follows:

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<u>Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Actuarial Accrued Liability % of Payroll</u>
		<u>Miscellaneous Plan</u>			
\$ 52,329,680	\$ 50,963,765	\$ 1,365,915	97.4%	\$ 7,677,625	17.8%

The Schedule of Funding Progress presented as Required Supplementary Information following the Notes to the Basic Financial Statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual Pension cost: For fiscal year 2009-2010, the City's annual pension cost of \$1,243,198 for miscellaneous and \$982,311 for safety for PERS was equal to the City's required and actual contributions. The principle assumptions and methods used to determine the annual required contribution, which is based on the June 30, 2007 valuation, and the funded status, which was based on the June 30, 2008 valuation, were the same. The assumptions are as follows:

Actuarial cost method	Entry age normal cost method.
Amortization method	Level percent of payroll.
Average remaining period	32 years as of the valuation date. (Miscellaneous)
	Funded over closed period.
Asset valuation method	15 year smoothed market.
Investment rate of return	7.75% (net of administrative expenses).
Projected salary increases	3.25% to 14.45% depending on age, service and type of employment.
Inflation	3.00%.
Payroll growth	3.25%.
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

The following is a schedule of employer contributions which provides the annual pension cost (APC), percentage of APC contributed and the net pension obligation for the last three fiscal years:

TREND INFORMATION FOR PERS

Schedule of Employer Contributions
(\$ Amount in Thousands)

Miscellaneous Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/08	\$ 1,102	100%	\$ -
6/30/09	1,124	100%	-
6/30/10	1,243	100%	-

Safety Plan

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<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/08	\$ 833	100%	\$ -
6/30/09	833	100%	-
6/30/10	982	100%	-

Defined Contribution Plan

The federal government enacted legislation in 1990 mandating Social Security coverage for previously uncovered governmental employees. Public Agency Retirement Services (PARS) provides this alternate retirement system for part-time, seasonal and temporary employees. The total contribution amounts to 7.5% of covered payroll compared to 12.4% under Social Security. Contribution rates are established by the City. The City of Covina began participating in PARS during fiscal year 2004-05. As of June 30, 2010, there were 92 plan participants and employer contributions of \$52,882 for the year.

9. COMPENSATED ABSENCES

For governmental funds, accumulated vacation and sick leave benefits payable at June 30, 2010 was \$2,123,470. The short-term portion of \$414,230 and long-term portion of \$1,709,240 is not accounted in the governmental funds but is included in the governmental activities of the government-wide statements. Accumulated vacation and sick leave of \$96,180, of which \$14,280 represents the current portion, is recorded in the individual internal service funds and governmental activities of the government-wide financial statements. For enterprise funds, accumulated vacation and sick leave amounted to \$108,020, of which \$13,520 represents the current portion. The total amount is recorded within the respective proprietary funds and business-type activities of the government-wide statements.

10. RISK MANAGEMENT

Workers' Compensation and General Liability:

The City has a program of insurance for any liability to City employees arising under the workers' compensation laws for the State of California. By this action, the City will pay all claims up to \$500,000. Amounts in excess of \$500,000, up to \$150,000,000, are covered through an excess commercial insurer. There are no claims that exceed insurance coverage over the last three years.

The City established general liability and worker's compensation internal service funds during the year. The funds have a balance of \$3,735,000 and \$1,675,000, respectively, which have been internally restricted for payment of outstanding general liability and workers' compensation claims. The balances represent a 70% confidence level for expected losses and a reasonable margin for contingencies.

Actual settlements accrued are accounted for in the appropriate fund. Estimates for all remaining outstanding claims, including an estimate for incurred but not reported claims (IBNR), are not accounted for in the individual funds but are reported in the governmental activities of the government-wide statements under claims and judgments. At June 30, 2010, total actual and estimated claims and judgments payable were as follows:

	<u>Amount</u>
General liability	\$ 1,447,000
Workers' compensation	<u>3,301,000</u>
Total	<u>\$ 4,748,000</u>

The current portion of \$323,000 and long-term portion of \$4,425,000 are not accounted in the governmental funds but are included in the governmental activities of the government-wide statements.

The following are changes in the claims and judgments liability for fiscal years 2010 and 2009:

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	Fiscal Year Ended June 30	
	2010	2009
Claims and judgments, beginning of fiscal year	\$ 4,770,000	\$ 4,347,000
Claims incurred (including IBNRs)	741,601	981,431
Claims paid	(763,601)	(558,431)
Claims and judgments, end of fiscal year	\$ 4,748,000	\$ 4,770,000

11. CAPITALIZED LEASE OBLIGATION

The City entered into capital leases with Verizon for telephone equipment and Haaker Equipment Company for sewer equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date in the City's capital assets. The future minimum lease obligations and the net present value of these payments as of June 30, 2010 are as follows:

Year Ending June 30,	Amount
2011	\$ 187,237
2012	187,236
2013	187,237
2014	112,741
Total minimum lease payments	674,451
Less amount representing interest	(74,800)
Present value of minimum lease payment	\$ 599,651

The value of the assets acquired by the capital lease was \$788,166, net of accumulated depreciation of \$25,841.

12. LONG-TERM LIABILITIES

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2010:

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	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Current Portion
Governmental activities					
Compensated absences (see note 9)	\$ 2,473,191	\$ 272,818	\$ (526,359)	\$ 2,219,650	\$ 428,510
Claims and judgments (see note 10)	4,770,000	741,601	(763,601)	4,748,000	323,000
Notes payable	761,693	-	(105,177)	656,516	144,480
Capital lease payable (see note 11)	81,974	486,788	(165,442)	403,320	92,568
Tax allocation bonds payable	34,717,262	-	(2,225,000)	32,492,262	2,320,000
Accreted interest	2,592,530	383,459	-	2,975,989	383,459
Unamortized premium on tax allocation bonds	<u>582,637</u>	<u>-</u>	<u>(38,879)</u>	<u>543,758</u>	<u>-</u>
Subtotal tax allocation bonds	<u>37,892,429</u>	<u>383,459</u>	<u>(2,263,879)</u>	<u>36,012,009</u>	<u>2,703,459</u>
Revenue bonds payable	2,135,000	-	(385,000)	1,750,000	405,000
Unamortized premium on revenue bonds	<u>184,020</u>	<u>-</u>	<u>(36,804)</u>	<u>147,216</u>	<u>-</u>
Subtotal revenue bonds	<u>2,319,020</u>	<u>-</u>	<u>(421,804)</u>	<u>1,897,216</u>	<u>405,000</u>
Total long-term liabilities, net	<u>\$ 48,298,307</u>	<u>\$ 1,884,666</u>	<u>\$ (4,246,262)</u>	<u>\$ 45,936,711</u>	<u>\$ 4,097,017</u>
	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Current Portion
Business-type activities					
Compensated absences (see note 9)	\$ 135,920	\$ 15,182	\$ (43,082)	\$ 108,020	\$ 13,520
Capital lease payable	-	327,219	(130,888)	196,331	65,444
Certificates of participation payable	1,640,000	-	(170,000)	1,470,000	180,000
Unamortized discount on certificates of participation	<u>(33,052)</u>	<u>-</u>	<u>5,335</u>	<u>(27,717)</u>	<u>-</u>
Subtotal certificates of participation	<u>1,606,948</u>	<u>-</u>	<u>(164,665)</u>	<u>1,442,283</u>	<u>180,000</u>
Revenue bond payable	-	15,750,000	-	15,750,000	-
Unamortized discount on revenue bond	<u>-</u>	<u>(616,715)</u>	<u>30,836</u>	<u>(585,879)</u>	<u>-</u>
Subtotal revenue bonds	<u>-</u>	<u>15,133,285</u>	<u>30,836</u>	<u>15,164,121</u>	<u>-</u>
Total long-term liabilities, net	<u>\$ 1,742,868</u>	<u>\$ 15,475,686</u>	<u>\$ (307,799)</u>	<u>\$ 16,910,755</u>	<u>\$ 258,964</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. Claims and judgments and compensated absences for the governmental activities are generally liquidated by the General Fund.

Notes Payable

On April 28, 1998, the Covina Redevelopment Agency purchased the Chick's East property located at 626 S. Citrus Avenue for \$2.2 million. The purchase was paid by cash deposit of \$698,000 and by securing a promissory note of \$1,520,052. The Agency took over the leases of three current tenants and entered into a lease with Chick's Sporting Goods for their retail outlet. Interest on the unpaid principal shall accrue at a variable rate which was 5.009% per annum at June 30, 2010. Monthly payments were \$12,040 at June 30, 2010.

Total notes payable \$ 656,516

The annual requirements to amortize the variable rate notes payable included in the governmental activities are as follows:

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June 30,	Principal	Interest	Total
2011	\$ 114,195	\$ 30,287	\$ 144,482
2012	120,048	24,434	144,482
2013	126,202	18,280	144,482
2014	132,670	11,812	144,482
2015	139,470	5,012	144,482
2016	23,931	150	24,081
	<u>\$ 656,516</u>	<u>\$ 89,975</u>	<u>\$ 746,491</u>

Tax Allocation Revenue Bonds of 1997, Series A

On July 30, 1997, the Covina Public Financing Authority issued \$1,995,000 Revenue Bonds of 1997, Series A. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 4% to 5.2%. Payment of principal on the bonds started December 1, 1998, and they are due on December 1 each until 2022.

\$ 1,330,000

Tax Allocation Revenue Bonds of 1997, Series B

On November 1, 1997, the Covina Public Financing Authority issued \$6,350,000 Revenue Bonds of 1997, Series B. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 4.2% to 5.1%. Payment of principal on the bonds started December 1, 1998, and they are due on December 1 each year until 2018.

3,495,000

Tax Allocation Revenue Bonds of 2002, Series A

On February 1, 2002, the Covina Public Financing Authority issued \$10,262,262 Revenue Bonds of 2002, Series A. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 3% to 4.75%. Payment of principal on the bonds started December 1, 2002, and they are due on December 1 each year until 2023. Included in the June 30, 2010 balance is \$2,975,989 of the accreted interest on the capital appreciation bonds.

11,078,251

Tax Allocation Revenue Bonds of 2004 Series A

On November 1, 2004, the Covina Redevelopment Agency issued \$17,240,000 Tax Allocation Revenue Bonds of 2004, Series A in order to refund the Tax Allocation Revenue Bonds of 1995. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 3% to 5%. Payment of principal on the bonds started December 1, 2003, and they are due on December 1 each year until 2023.

14,185,000

Tax Allocation Revenue Bonds of 2004, Series B

On November 1, 2004, the Covina Redevelopment Agency issued \$9,610,000 Tax Allocation Revenue Bonds of 2004, Series B. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 2.74% to 3.94%. The bonds are taxable and payment of principal on the bonds will begin December 1, 2005, and they are due on December 1 each year until 2023.

5,380,000

Total tax allocation bonds payable

\$35,468,251

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The annual requirements to amortize the tax allocation bonds payable included in the governmental activities are as follows:

Years Ending June 30,	Principal	Interest	Total
2011	\$ 2,320,000	\$ 1,224,660	\$ 3,544,660
2012	2,425,000	1,121,015	3,546,015
2013	2,535,000	1,006,965	3,541,965
2014	2,660,000	888,118	3,548,118
2015	2,770,000	762,694	3,532,694
2016-2020	14,026,905	3,696,755	17,723,660
2021-2024	5,755,357	8,420,336	14,175,693
Total debt service payments	32,492,262	17,120,543	49,612,805
Accretion to date	2,975,989	-	2,975,989
Total principal, June 30, 2010	\$ 35,468,251	\$ 17,120,543	\$ 52,588,794

Pledged Revenues – Tax Increment

The Agency has pledged a portion of future property tax increment revenues to repay \$35,468,251 of the tax allocation bonds issued between July 1997 and November 2004. The bonds were issued to finance construction and acquisition of capital improvements in the Agency's redevelopment project areas. The bonds are payable solely from the incremental property taxes generated by increased property values in the project areas excluding the 20% set aside for low and moderate income housing. Although the incremental property taxes were projected to produce sufficient revenues to meet the debt service requirements over the life of the bonds, certain conditions could have a material, adverse impact on revenues allocated to the Agency. These include future decreases in the assessed valuation of the project areas, decreases in the applicable tax rates or collection rates, general decline in the economic condition of the project areas, or a change in the law reducing the tax increment received by the Agency. Total principal and interest remaining on the various bonds is \$52,588,794 payable through December 2023. For the current year, principal and interest paid and total incremental property tax revenues were \$3,546,258 and \$3,165,344.

Revenue Bonds Payable, Transportation Fund

In October 2004, the City of Covina entered into an assignment agreement related to Proposition C sales tax revenues with the Los Angeles County Metropolitan Transportation Authority (MTA). MTA issued Proposition C Revenue Bonds of 2004, Series A of which \$3,510,000 was provided to the City. The City will reimburse the MTA for its debt service portion from future Proposition C sales tax collections. The proceeds will be utilized to finance a portion of the Covina Metrolink Transit complex parking structure. The bonds are tax-exempt obligations with payment of principal and interest netted on a monthly basis through June 1, 2014.

A reserve fund is established in the amount of maximum annual installment payments from certificate proceeds for the benefit of the owners of the certificates. Since the MTA is not at-risk for the City's portion, the bonds are recorded as long-term debt of the City. Debt service payments are recorded in the Transportation Fund.

\$ 1,750,000

The total debt service requirements to maturity with respect to the tax revenue bonds payable included in the governmental funds are as follows:

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Years Ending June 30,	Principal	Interest	Total
2011	\$ 405,000	\$ 8,625	\$ 413,625
2012	425,000	68,375	493,375
2013	450,000	47,125	497,125
2014	470,000	23,500	493,500
	<u>\$ 1,750,000</u>	<u>\$ 147,625</u>	<u>\$ 1,897,625</u>

Certificates of Participation Payable, Water Enterprise Fund

In October 1999, \$2,925,000 of refunding certificates of participation (certificates) were issued to refund the 1991 water certificates. The Covina Public Financing Authority (Authority) executed and delivered the certificates. The Authority, pursuant to a trust agreement, assigned all of its rights to the trustee for the benefit of the owners of the certificates. Each certificate represents a proportionate interest in an installment sale agreement of the improvement project financed with the original certificates between the City and the Authority as a seller. Under the agreement, the City has covenanted that it will prescribe, revise, and collect such charges for the services and facilities of its municipal water system which will produce gross revenues that will generate net revenues equal to 1.25 times the installment payments in each fiscal year.

A reserve fund is established in the amount of maximum annual installment payments from certificate proceeds for the benefit of the owners of the certificates. Since the Authority is not at-risk for the installment sale payments and the certificates are to be repaid from resources generated by the Water Utility Enterprise Fund, the certificates are recorded as long-term debt in the Water Utility Enterprise Fund.

The Bonds are secured by a pledge of the net revenues received by the City for water sales. Total principal and interest remaining to be paid on the bonds is \$1,760,334. Principal and interest paid for the current year and total customer net revenues were \$251,190 and \$1,738,194, respectively.

Interest is payable semiannually on April 1 and October 1 of each year at rates of interest ranging from 3.6% to 5.45%. Payment of principal on the refunding certificates start on October 1, 2000, and are due on October 1 each year until 2016.

\$ 1,470,000

The total debt service requirements to maturity with respect to the certificates included in the business-type activities are as follows:

Years Ending June 30,	Principal	Interest	Total
2011	\$ 180,000	\$ 72,655	\$ 252,655
2012	190,000	63,403	253,403
2013	200,000	53,455	253,455
2014	205,000	42,924	247,924
2015	220,000	31,658	251,658
2016-2017	475,000	26,239	501,239
	<u>\$ 1,470,000</u>	<u>\$ 290,334</u>	<u>\$ 1,760,334</u>

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Revenue Bonds Payable, Sewer Enterprise Fund

In July 2009, \$15,750,000 of revenue bonds were issued to provide funds for the acquisition and construction of improvements to improve and increase capacity to the City's wastewater enterprise. The Covina Public Financing Authority (Authority) executed and delivered the certificates. The Authority, pursuant to a trust agreement, assigned all of its rights to the trustee for the benefit of the owners of the certificates. Each certificate represents a proportionate interest in an installment sale agreement of the improvement project financed with the original certificates between the City and the Authority as a seller. Under the agreement, the City has covenanted that it will prescribe, revise, and collect such charges for the services and facilities of its wastewater system which will produce gross revenues that will generate net revenues in an amount sufficient to permit payment of all scheduled debt service on the bonds when due.

A reserve fund is established in the amount of maximum annual installment payments from certificate proceeds for the benefit of the owners of the certificates. Since the Authority is not at-risk for the installment sale payments and the certificates are to be repaid from resources generated by the Sewer Enterprise Fund, the certificates are recorded as long-term debt in the Sewer Enterprise Fund.

The Bonds are secured by a pledge of the net revenues received by the City for the sewer fees. Total principal and interest remaining to be paid on the bonds is \$24,781,423. Principal and interest paid for the current year and total customer net revenues were \$451,193 and \$282,079 respectively.

Interest is payable semiannually on April 1 and October 1 of each year at rates of interest ranging from 2.5% to 5.375%. Payment of principal on the bonds begins on October 1, 2011, and is due on October 1 each year until 2029.

\$ 15,750,000

The total debt service requirements to maturity with respect to the certificates included in the business-type activities are as follows:

June 30,	Principal	Interest	Total
2011	\$ -	\$ 685,931	\$ 685,931
2012	250,000	682,806	932,806
2013	625,000	671,689	1,296,689
2014	640,000	656,056	1,296,056
2015	660,000	638,981	1,298,981
2016-2020	3,605,000	2,859,044	6,464,044
2021-2025	4,375,000	2,053,644	6,428,644
2026-2030	5,595,000	783,272	6,378,272
	\$ 15,750,000	\$ 9,031,423	\$ 24,781,423

13. NOTES RECEIVABLE

The Redevelopment Agency has sold parcels of land as well as provided loans to various companies and developers for the purpose of developing businesses in the City.

\$2,736,965

14. LOANS RECEIVABLE

The City's Community Development Block Grant program and the Covina Redevelopment Agency (Agency) provide low-income housing and economic

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assistance to qualifying households and businesses. Subsequently, the City and the Agency acquired deferred payment loans from the homeowners and businesses. Due to the long-term nature of the loans, the City and the Agency have deferred recognition of revenues in the governmental funds until receipt (see note 2).

\$ 844,031

15. SHORT TERM BORROWING

During the fiscal year, the Covina Redevelopment Agency borrowed \$2,310,000 from the City. The Covina Redevelopment Agency repaid this loan along with \$71,264 in interest.

16. FUND BALANCES

Effective July 1, 2009, the City adopted the provisions of GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definition*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definition. The City has evaluated the use of its Special Revenue, Debt Service and Capital Project Funds under the criteria set forth in GASB Statement No. 54 and has determined that the City Donation fund did not meet the definition of a special revenue fund under GASB 54 and has been reclassified to the General Fund.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2010, fund balance for governmental funds are made up of the followings:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).
- *Assigned Fund Balance* – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) other than the General Fund, that are not classified as nonspendable, restricted or committed.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

The City Council adopted a Reserves Policy. The policy aims to help reduce the negative impact on the City in times of economic uncertainty and potential losses of funding from other governmental agencies. County reserves are restricted for one-time purposes. The policy establishes minimum requirements for General Fund nondepartmental reserves, and provides guidelines for the use of these funds.

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General Fund non-departmental reserve requirements - Appropriation for contingencies is maintained at twenty percent of total General Fund net appropriations for one-time emergencies and economic uncertainties. Excess fund balance at year-end must first be used to replenish the reserve amount at the 20% level.

17. CONTINGENCIES

The City is involved in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that potential claims against the City, not covered by insurance, will not have a material adverse effect on the financial position of the City.

18. MORTGAGE REVENUE AND CONSTRUCTION BONDS

The Covina Redevelopment Agency has issued mortgage revenue and industrial development revenue bonds as follows:

<u>Description</u>	<u>Original Amounts</u>	<u>Outstanding Balance at June 30, 2010</u>
1994 Refunding Mortgage Revenue Bonds (Shadowhills)	\$13,980,000	\$10,610,030

The Bonds are special obligations payable solely from payments made on the loans and are secured by a pledge of such loans. Neither the faith and credit nor the taxing power of the City of Covina or the Agency have been pledged to the payment of the bonds; therefore, the bonded indebtedness is not shown in the financial statements of the City.

19. JOINT VENTURE

The Covina Irrigating Company (the Company) is a non-profit mutual water company. The purpose of the Company is to develop, distribute, supply or deliver water at cost for irrigation and domestic uses of its stockholders. The governing board of directors consists of nine directors which are elected by the stockholders.

The City's investment in the Company has been recorded on the equity method of accounting and is shown as an "investment in joint venture" in the Water Utility Enterprise Fund. The City invested in the Company's shares solely to ensure that present and future water supply will be maintained at an adequate level. The City's equity share is 42.18 percent.

Complete financial statements for Covina Irrigating Company can be obtained from the Company. Summarized audited information of the Company for the fiscal year ended June 30, 2010 is as follows:

Operating revenues	\$ 3,642,742
Operating expenses	<u>3,714,581</u>
Operating loss	<u>\$ (71,839)</u>
Net loss	<u>\$ (157,440)</u>
Total assets	<u>\$14,964,688</u>
Total liabilities	<u>\$ 6,517,401</u>
Total fund equity	<u>\$ 8,447,287</u>
Total liabilities and fund equity	<u>\$14,964,688</u>

The difference of the acquisition cost of shares by the City over the corresponding percentage of net assets acquired at the time of acquisition is considered goodwill.

The City is also a participant in several cost-sharing agreements with other governmental units. There is no significant financial interest or ongoing financial responsibility on the part of the City with these agreements.

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20. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description:

The City provides retiree medical benefits under the CalPERS health plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Eligibility:

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible for a PERS pension. The benefits are available only to employees who retire from the City. Membership of the plan consisted of 125 eligible active employees and 138 enrolled eligible retirees at June 30, 2010. These amounts do not reflect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the plan at a later date.

Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by the City and the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2010, the City contributed \$402,318 to the plan.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

The City's OPEB obligation as of June 30, 2009, the most recent actuarial valuation, was \$5,014,195. The Annual Required Contribution (ARC) as of June 30, 2010, was \$362,689. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	June 30, 2010
Annual required contribution	\$ 453,870
Contributions made	(402,318)
Increase in net OPEB obligation	51,552
Net OPEB Asset, Beginning of Year	(14,250)
Net OPEB Obligation, End of Year	\$ 37,302

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2010

Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation/(Asset)
6/30/08	N/A	N/A	N/A
6/30/09	\$362,689	\$376,939	\$ (14,250)
6/30/10	453,870	402,318	51,552

Funding Status and Progress:

As of June 30, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$5,014,195 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,014,195 million and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the entry age normal cost method. The actuarial assumptions included a 3.75 percent investment rate of return, which is based on assumed long-term investment returns on plan assets and on the City's assets, as appropriate, and an annual healthcare cost trend rate of 3 percent annual. Both rates included a 3.75 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 30 years. It is assumed the City's payroll will increase 2.5% per year.

21. NET ASSETS-ENTERPRISE FUNDS

The City by Council ordinance and resolution requires certain designations of unrestricted Water Enterprise Fund net assets. The designations are as follows:

Water capital	<u>\$3,006,781</u>
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22. BOND DEFEASANCE

Water Certificates of Participation

In October 1999, the Covina Public Financing Authority issued the 1999 Refunding Water Certificates of Participation to refund the 1991 Water Certificates of Participation. The transaction refunded and defeased in substance the \$2,815,000 balance of the 1991 water certificates. Accordingly, the trust account assets and the liability for the defeased certificates are not included in the City's financial statements. The outstanding balance of the defeased 1991 water certificates at June 30, 2010 was \$1,390,000.

23. REBATABLE ARBITRAGE

The City is obligated to calculate arbitrage rebates on all tax allocation bonds. There was no rebatable arbitrage liability.

24. RELATED PARTY TRANSACTIONS

The City of Covina entered into an agreement with the Covina Irrigation Company for the lease of water rights. The lease provides for the annual minimum lease payment of \$1,174,032 to the Covina Irrigating Company by the City for the use of the water. During the year, the City paid \$1,725,277 to the Covina Irrigating Company

25. SUBSEQUENT EVENT

SERAF

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift is approximately \$522,454 in fiscal year 2010-2011. Payments are to be made by May 10. In response to AB 26 4x, the Agency intends to borrow the required amount from the Housing Funds.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate AB 26 4x, similar to last year's successful lawsuit challenging the constitutionality of AB 1389. CRA filed its lawsuit on October 20, 2009. The lawsuit asserts that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint also asserts impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year's lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

CITY OF COVINA, CALIFORNIA
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 17,490,330	\$ 17,490,330	\$ 17,490,330	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	4,860,460	4,860,460	4,684,666	(175,794)
Unsecured personal	155,000	155,000	13,903	(141,097)
Prior year secured and unsecured	1,500	1,500	(43,200)	(44,700)
Supplemental roll	200,000	200,000	137,054	(62,946)
Property tax in-lieu motor vehicle license	3,767,200	3,767,200	3,695,763	(71,437)
Property tax in-lieu sales tax	27,000	27,000	56,417	29,417
Interest and penalties	88,930	88,930	138,489	49,559
Sales taxes	7,081,000	7,081,000	5,914,184	(1,166,816)
Transient occupancy taxes	370,000	370,000	356,027	(13,973)
Property transfer taxes	162,000	162,000	133,114	(28,886)
Business license taxes	312,150	312,150	354,738	42,588
Business registration penalties	15,000	15,000	12,951	(2,049)
Utility users taxes	5,532,040	5,532,040	4,977,443	(554,597)
Franchise taxes:				
Cable TV	144,000	144,000	186,321	42,321
Electric utility	220,000	220,000	224,035	4,035
Gas utility	162,000	162,000	107,670	(54,330)
Towing	210,000	210,000	215,986	5,986
Refuse service	341,000	341,000	343,811	2,811
Other	15,500	15,500	70,965	55,465
Licenses and permits	157,000	157,000	408,891	251,891
Intergovernmental:				
State:				
Homeowner exemption	43,000	43,000	41,887	(1,113)
Mandated cost reimbursement	24,000	24,000	182,385	158,385
Public safety augmentation	-	-	311,824	311,824
POST subvention	-	-	31,220	31,220
Standards & training - corrections	-	-	5,885	5,885
Motor vehicle in-lieu tax	157,000	157,000	145,828	(11,172)
Off-highway vehicle tax	44,380	44,380	-	(44,380)
Library services grant	2,000	2,000	735	(1,265)
Library foundation grant	16,872	16,872	17,547	675
Other state grants and subventions	(3,380)	-	2,416	2,416
County:				
Prop A discretionary	44,380	44,380	-	(44,380)
School district	124,200	124,200	5,651	(118,549)
Other grants	-	-	215,883	215,883
Other governmental units	25,000	25,000	10,452	(14,548)
Charges for services:				
General government	580,000	580,000	467,803	(112,197)
Public safety	101,370	101,370	124,423	23,053
Public works	120,000	120,000	94,144	(25,856)
Culture and recreation	683,360	683,360	700,182	16,822
Community development	183,750	183,750	733,112	549,362
Fines and forfeits	684,500	684,500	736,304	51,804
Investment earnings	343,390	343,390	334,765	(8,625)
Miscellaneous	129,750	129,750	404,200	274,450
Capital lease inception	371,470	371,470	486,788	115,318

(Continued)

CITY OF COVINA, CALIFORNIA
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the fiscal year ended June 30, 2010

(Continued)

	Budget Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Transfers In - Inmate Communication	\$ -	\$ -	\$ 11,340	\$ 11,340
Transfers In - Cultural Arts Commission	-	-	1,916	1,916
Transfers In - Library Equipment Reserve	-	-	15,760	15,760
Transfers In - Police Evidence Money Reserve	-	-	57,505	57,505
Transfers In - Building Equipment Reserve	-	-	22,015	22,015
Transfers In - Community Improvement	-	-	64,644	64,644
Transfers In - Donation	-	-	340,226	340,226
Transfers In - Central Equipment	1,000,000	1,000,000	1,000,000	-
Transfers In - Transportation	1,342,800	1,342,800	4,121	(1,338,679)
Amounts available for appropriation	<u>47,329,952</u>	<u>47,333,332</u>	<u>46,050,519</u>	<u>(1,282,813)</u>
Charges to appropriations (outflows):				
General government:				
City council	\$ 59,500	\$ 59,500	\$ 57,469	\$ 2,031
City clerk	2,400	2,400	2,501	(101)
City treasurer	3,510	3,510	3,334	176
City manager	612,920	690,920	756,144	(65,224)
City attorney	222,230	222,230	154,952	67,278
Finance	1,532,630	1,566,530	1,584,361	(17,831)
Records management	225,200	225,200	225,546	(346)
Human resources	560,680	560,680	615,216	(54,536)
Employee development	10,500	10,500	6,328	4,172
Workers compensation	683,800	683,800	655,022	28,778
Public liability	659,000	717,900	443,169	274,731
General insurance	755,000	755,000	465,443	289,557
Duplicating services	137,850	137,850	122,726	15,124
Public information	239,900	239,900	257,321	(17,421)
Civic center	491,830	491,830	190,697	301,133
Intergovernmental	25,240	25,240	24,105	1,135
Community outreach	20,820	20,820	4,081	16,739
Indirect cost allocation	(2,169,230)	(2,169,230)	(1,782,944)	(386,286)
Total general government	<u>4,073,780</u>	<u>4,244,580</u>	<u>3,785,471</u>	<u>459,109</u>
Public safety:				
Police administration	1,078,390	1,078,390	1,049,291	29,099
Crime prevention	425,740	425,740	399,690	26,050
Police investigation	2,046,380	2,056,380	1,982,812	73,568
Police patrol	6,331,620	6,331,620	6,028,458	303,162
Police records	464,290	464,290	464,811	(521)
Police jail	399,310	409,310	361,089	48,221
Traffic safety	359,600	359,600	368,663	(9,063)
Parking control	327,960	327,960	249,260	78,700
Communication services	1,181,980	1,189,101	1,469,574	(280,473)
Police training	430,530	441,880	345,085	96,795
Police computer services	391,320	391,320	377,579	13,741
Fire suppression	7,706,370	7,706,370	7,565,649	140,721
Disaster preparedness	130,380	130,380	17,012	113,368
Animal control	175,690	175,690	105,949	69,741
Inmate communication	-	4,865	4,885	(20)
Police evidence	-	3,658	3,659	(1)
Indirect cost allocation	(29,100)	(29,100)	-	(29,100)
Total public safety	<u>21,420,460</u>	<u>21,467,454</u>	<u>20,793,466</u>	<u>673,988</u>
Public works:				
Public works administration	113,050	113,050	81,901	31,149
Engineering	435,400	435,400	471,414	(36,014)
Streets	298,370	298,370	37,776	260,594
Street lighting	202,500	202,500	208,765	(6,265)
Traffic control	144,500	144,500	92,835	51,665
Yard center	67,940	67,940	64,068	3,872
Indirect cost allocation	(420,650)	(420,650)	(408,190)	(12,460)
Total public works	<u>841,110</u>	<u>841,110</u>	<u>548,569</u>	<u>292,541</u>

(Continued)

CITY OF COVINA, CALIFORNIA
 Required Supplementary Information
 Budgetary Comparison Statement
 General Fund
 For the fiscal year ended June 30, 2010

(Continued)

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and recreation:				
Parks-recreation administration	\$ 431,910	\$ 431,910	\$ 422,735	\$ 9,175
Community relations	102,800	105,780	115,350	(9,570)
Recreation services	482,740	482,740	486,380	(3,640)
Community programs	18,270	18,270	18,093	177
Park facilities	633,990	685,515	636,560	48,955
Senior services	270,170	286,107	227,781	58,326
Community events	118,200	118,200	63,371	54,829
Aquatics	262,070	262,070	260,478	1,592
Cultural arts	2,479	2,479	2,082	397
Library services	1,356,140	1,408,591	1,356,118	52,473
Library equipment reserve	-	3,602	3,602	-
Donation	34,573	34,573	29,292	5,281
Total culture and recreation	<u>3,713,342</u>	<u>3,839,837</u>	<u>3,621,842</u>	<u>217,995</u>
Community development:				
Development administration	357,110	357,110	347,646	9,464
Planning	343,020	366,490	370,164	(3,674)
Building inspection	357,420	357,420	637,566	(280,146)
Code enforcement	96,920	96,920	97,044	(124)
Community improvement	-	14,811	14,811	-
Indirect cost allocation	(548,890)	(548,890)	(543,430)	(5,460)
Total community development	<u>605,580</u>	<u>643,861</u>	<u>923,801</u>	<u>(279,940)</u>
Debt service:				
Principal retirement	126,670	126,670	165,443	(38,773)
Interest	25,600	25,600	54,782	(29,182)
Total debt service	<u>152,270</u>	<u>152,270</u>	<u>220,225</u>	<u>(67,955)</u>
Transfers out:				
Community Development Block Grant Fund	-	-	15,628	(15,628)
Workers Compensation Internal Service Fund	4,765,950	4,765,950	3,720,000	1,045,950
Public Liability Internal Service Fund	1,673,000	1,673,000	1,673,000	-
Lighting Assessment District Fund	-	-	123,097	(123,097)
Landscape Assessment District Fund	-	-	771	(771)
Shoppers Lane Parking District Fund	-	-	2,845	(2,845)
Library Grant Fund	-	-	576	(576)
Other Grants Fund	2,016	2,016	12,739	(10,723)
Total transfers out	<u>6,440,966</u>	<u>6,440,966</u>	<u>5,548,656</u>	<u>892,310</u>
Total charges to appropriations	<u>37,247,508</u>	<u>37,630,078</u>	<u>35,442,030</u>	<u>2,188,048</u>
Budgetary fund balance, June 30	<u>\$ 10,082,444</u>	<u>\$ 9,703,254</u>	<u>\$ 10,608,489</u>	<u>\$ 905,235</u>

See accompanying note to the required supplementary information.

CITY OF COVINA, CALIFORNIA
Required Supplementary Information
Budgetary Comparison Schedule
Low-Moderate Income Housing Special Revenue Fund
For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 14,131,660	\$ 14,131,660	\$ 14,131,660	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	1,345,000	1,345,000	1,593,541	248,541
Unsecured personal	280,000	280,000	146,061	(133,939)
Prior year secured and unsecured	120,000	120,000	5,760	(114,240)
Supplemental roll	26,500	26,500	640	(25,860)
Intergovernmental:				
State-homeowner exemption	18,500	18,500	3,171	(15,329)
Investment earnings	118,400	118,400	243,099	124,699
Miscellaneous	<u>44,000</u>	<u>44,000</u>	<u>360</u>	<u>(43,640)</u>
Amounts available for appropriation	<u>16,084,060</u>	<u>16,084,060</u>	<u>16,124,292</u>	<u>40,232</u>
Charges to appropriations (outflows):				
Redevelopment and housing:				
Housing	658,520	7,491,860	1,015,365	6,476,495
Neighborhood preservation	<u>234,410</u>	<u>234,410</u>	<u>220,322</u>	<u>14,088</u>
Total redevelopment and housing	<u>892,930</u>	<u>7,726,270</u>	<u>1,235,687</u>	<u>6,490,583</u>
Debt service:				
Principal retirement	190,000	190,000	190,000	-
Interest and fiscal charges	<u>214,740</u>	<u>214,740</u>	<u>203,737</u>	<u>11,003</u>
Total debt service	<u>404,740</u>	<u>404,740</u>	<u>393,737</u>	<u>11,003</u>
Total charges to appropriations	<u>1,297,670</u>	<u>8,131,010</u>	<u>1,629,424</u>	<u>6,501,586</u>
Budgetary fund balance, June 30	<u>\$ 14,786,390</u>	<u>\$ 7,953,050</u>	<u>\$ 14,494,868</u>	<u>\$ 6,541,818</u>

See accompanying note to the required supplementary information.

CITY OF COVINA, CALIFORNIA
Note to Required Supplementary Information
June 30, 2010

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. City departments submit budget and service requests to the City Manager. The City Manager prepares a recommended budget to be presented to the City Council.
2. The annual budget is adopted by the City Council on or before June 30 of each fiscal year after holding public hearings to receive input for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.
3. The appropriated budget is prepared by fund, program, and activity. Departments may make appropriation transfers within activities. The City Manager is authorized to make appropriation transfers between activities within funds excluding the contingency appropriation. The City Council approves total budgeted appropriations and any amendments between funds and the use of contingency appropriation. This "appropriated budget" covers City expenditures in all governmental funds. Actual expenditures may not exceed budgeted appropriations at the activity level within each fund. Budget figures used in the accompanying financial statements are the original budget including prior year carryovers and the final budget including current year amendments.
4. Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Encumbrances at year end lapse, and then are added to the following year's budgeted appropriations.
5. Annual budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the proprietary funds, as the City is not legally required to adopt budgets for this fund type.
6. Appropriations for capital projects and certain grants and contributions authorized but not constructed or completed during the year lapse at year end, and then are included as part of appropriations in the following year's annual budget.
7. Under Article XIII B of the California Constitution (the Gann Spending Limitation), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceed of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements.

B. Excess of Charges over Appropriations-General Fund

For the fiscal year ended June 30, 2010, expenditures exceeded appropriations as follows:

<u>Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Community development	\$ 643,861	\$ 923,801	\$ 279,940
Debt service	152,270	220,225	67,955

CITY OF COVINA, CALIFORNIA
 Required Supplementary Information
 June 30, 2010

1. California Public Employees' Retirement System (PERS):

Schedule of Funding Progress

\$ Amount in Thousands

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (a)	Actuarial Asset Value (b)	Unfunded Liability/ (Excess Assets) [(a)-(b)]	Funded Ratio [(b)/(a)]	Covered Payroll (c)	UAAL as a % of Covered Payroll {[(a)-(b)]/(c)}
06/30/06 Miscellaneous	\$ 46,238	\$ 45,513	\$ 725	98.4%	\$ 6,682	10.9%
06/30/07 Miscellaneous	\$ 49,154	\$ 48,435	\$ 719	98.5%	\$ 7,329	9.8%
06/30/08 Miscellaneous	\$ 52,330	\$ 50,964	\$ 1,366	97.4%	\$ 7,678	17.8%

2. Other Postemployment Benefit (OPEB):

Schedule of Funding Progress

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (a)	Actuarial Asset Value (b)	Unfunded Liability/ (Excess Assets) [(a)-(b)]	Funded Ratio [(b)/(a)]	Covered Payroll (c)	UAAL as a % of Covered Payroll {[(a)-(b)]/(c)}
6/30/2009	5,014,195	-	5,014,195	0.00%	7,677,625	65.31%

Non-Major Governmental Funds

Special revenue funds account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute or local ordinance and /or resolution to finance particular functions, or activities. Non-major special revenue governmental funds of the City are as follows:

Community Development Block Grant is a special revenue fund that accounts for the funding from the Department of Housing and Urban Development (HUD) in the form of a Community Block Grant (CDBG) program. The program has specific federal guidelines and all CDBG fund expenditures are monitored for compliance with both federally mandated rules and regulations and County of Los Angeles regulations.

Law Enforcement accounts for federal and state local law enforcement grants and subventions to finance certain police activities.

Narcotic Seizure accounts for receipts and disbursements associated with the federal, state and local narcotic seizure programs.

State Gas Tax accounts for money apportioned by state statutes of the State of California to provide financing for street maintenance and improvements.

Transit accounts for the transit tax (one-half percent sales tax) for transit programs and improvements.

Air Quality accounts for the motor vehicle fee for air and environmental improvements.

Municipal Parking District accounts for receipts and expenditures for electricity, lot maintenance and engineering services in the various municipal parking lots.

Lighting Assessment District accounts for special assessment collections from benefited properties for street lighting energy and maintenance.

Landscaping Assessment District accounts for special assessment collections from benefited properties for landscape maintenance activities.

Sewer Assessment District accounts for special assessment collections from benefited properties for sanitary sewer maintenance and improvements.

Community Facilities District accounts for special assessment collections from benefited properties for community facilities maintenance activities.

Shoppers Lane Parking District accounts for certain business tax registrations to finance parking maintenance and improvements in Shoppers Lane.

Library Grant accounts for the various state grant monies for programs of the Covina Public Library.

City Donation accounts for restricted donations and contributions from private sources for various activities.

Other Grants accounts for the various state grant monies for various programs of the City.

Capital projects funds are used to finance and account for the acquisition and construction of major capital facilities other than those financed by other governmental type and proprietary funds. Non-major capital projects governmental funds of the City are as follows:

General Projects accounts for monies designated for major infrastructure and general improvements not accounted for in other governmental and proprietary funds.

Park Development accounts for federal and state grant monies used for parkland acquisition and development.

Transportation is a capital projects fund and account for one-half percent sales tax to finance transportation programs and improvements. Financial resources include various grants from the State and Federal funding sources to provide enhanced transit opportunities.

CITY OF COVINA, CALIFORNIA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Special Revenue Funds						Municipal Parking District
	Community Development Block Grant	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	Air Quality	
Assets							
Cash and investments	\$ -	\$ 504,590	\$ 215,384	\$ 431,799	\$ 2,060,785	\$ 219,525	\$ 219,822
Cash and investments - fiscal agent	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):							
Property taxes	-	7,548	-	-	-	-	1,935
Accounts	38,237	-	-	-	296	15,064	270
Special assessments	-	-	-	-	-	-	-
Loans	768,170	-	-	-	-	-	-
Due from other governments	261,281	247,261	-	75,308	-	-	-
Due from other funds	2,865	-	-	-	-	-	-
Prepaid items	6,987	1,362	-	-	-	-	-
Total assets	<u>\$ 1,077,540</u>	<u>\$ 760,761</u>	<u>\$ 215,384</u>	<u>\$ 507,107</u>	<u>\$ 2,061,081</u>	<u>\$ 234,589</u>	<u>\$ 222,027</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$ 58,056	\$ 180,020	\$ -	\$ -	\$ 127,317	\$ -	\$ 2,770
Accrued liabilities	2,401	5,870	-	-	4,724	-	-
Due to other governments	-	-	-	-	-	-	-
Deferred revenue	768,170	-	-	-	-	-	-
Due to other funds	248,923	-	-	-	-	-	-
Total liabilities	<u>1,077,550</u>	<u>185,890</u>	<u>-</u>	<u>-</u>	<u>132,041</u>	<u>-</u>	<u>2,770</u>
Fund balances:							
Restricted for:							
Community development	(10)	-	-	-	-	-	-
Law enforcement	-	574,871	215,384	-	-	-	-
Street projects	-	-	-	507,107	-	-	-
Transportation projects	-	-	-	-	1,929,040	-	-
Air quality projects	-	-	-	-	-	234,589	-
Assessment districts	-	-	-	-	-	-	219,257
Assigned to:							
Other capital projects	-	-	-	-	-	-	-
Parks & recreation	-	-	-	-	-	-	-
Street resurfacing	-	-	-	-	-	-	-
Total fund balances (deficits)	<u>(10)</u>	<u>574,871</u>	<u>215,384</u>	<u>507,107</u>	<u>1,929,040</u>	<u>234,589</u>	<u>219,257</u>
Total liabilities and fund balances	<u>\$ 1,077,540</u>	<u>\$ 760,761</u>	<u>\$ 215,384</u>	<u>\$ 507,107</u>	<u>\$ 2,061,081</u>	<u>\$ 234,589</u>	<u>\$ 222,027</u>

Special Revenue Funds								
Lighting Assessment District	Landscaping Assessment District	Sewer Assessment District	Community Facilities District	Shoppers Lane Parking District	Library Grant	City Donation	Other Grants	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,240	\$ 3,689,145
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	9,483
-	-	-	-	-	-	-	50	53,917
6,277	3,639	-	-	-	-	-	-	9,916
-	-	-	-	-	-	-	-	768,170
-	-	-	-	-	26,154	-	55,321	665,325
-	-	-	-	-	-	-	576	3,441
-	-	-	-	-	-	-	-	8,349
<u>\$ 6,277</u>	<u>\$ 3,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,154</u>	<u>\$ -</u>	<u>\$ 93,187</u>	<u>\$ 5,207,746</u>
\$ 18,252	\$ 1,126	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,453	\$ 410,994
-	-	-	-	-	2,890	-	-	15,885
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	768,170
<u>6,277</u>	<u>3,639</u>	<u>-</u>	<u>27,108</u>	<u>-</u>	<u>23,264</u>	<u>-</u>	<u>1,491</u>	<u>310,702</u>
<u>24,529</u>	<u>4,765</u>	<u>-</u>	<u>27,108</u>	<u>-</u>	<u>26,154</u>	<u>-</u>	<u>24,944</u>	<u>1,505,751</u>
-	-	-	-	-	-	-	68,243	68,233
-	-	-	-	-	-	-	-	790,255
-	-	-	-	-	-	-	-	507,107
-	-	-	-	-	-	-	-	1,929,040
-	-	-	-	-	-	-	-	234,589
(18,252)	(1,126)	-	(27,108)	-	-	-	-	172,771
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>(18,252)</u>	<u>(1,126)</u>	<u>-</u>	<u>(27,108)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,243</u>	<u>3,701,995</u>
<u>\$ 6,277</u>	<u>\$ 3,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,154</u>	<u>\$ -</u>	<u>\$ 93,187</u>	<u>\$ 5,207,746</u>

(Continued)

CITY OF COVINA, CALIFORNIA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Capital Project Funds				Total Non-Major Governmental Funds
	General Projects	Park Development	Transportation	Total	
Assets					
Cash and investments	\$ 325,243	\$ 216,419	\$ 1,003,750	\$ 1,545,412	\$ 5,234,557
Cash and investments - fiscal agent	-	-	272,357	272,357	272,357
Receivables (net of allowances for uncollectibles):					
Property taxes	-	-	-	-	9,483
Accounts	-	-	-	-	53,917
Special assessments	-	-	-	-	9,916
Loans	-	-	-	-	768,170
Due from other governments	-	10,390	254,843	265,233	930,558
Due from other funds	-	-	-	-	3,441
Prepaid items	-	-	-	-	8,349
Total assets	<u>\$ 325,243</u>	<u>\$ 226,809</u>	<u>\$ 1,530,950</u>	<u>\$ 2,083,002</u>	<u>\$ 7,290,748</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 410,994
Accrued liabilities	-	171	-	171	16,056
Due to other governments	-	-	434,390	434,390	434,390
Deferred Revenue	-	-	-	-	768,170
Due to other funds	-	-	-	-	310,702
Total liabilities	<u>-</u>	<u>171</u>	<u>434,390</u>	<u>434,561</u>	<u>1,940,312</u>
Fund balances:					
Restricted for:					
Community development	-	-	-	-	68,233
Law enforcement	-	-	-	-	790,255
Street projects	-	-	-	-	507,107
Transportation projects	-	-	-	-	1,929,040
Air quality projects	-	-	-	-	234,589
Assessment districts	-	-	-	-	172,771
Assigned to:					
Other capital projects	325,243	-	-	325,243	325,243
Parks & recreation	-	226,638	-	226,638	226,638
Street resurfacing	-	-	1,096,560	1,096,560	1,096,560
Total fund balances	<u>325,243</u>	<u>226,638</u>	<u>1,096,560</u>	<u>1,648,441</u>	<u>5,350,436</u>
Total liabilities and fund balances	<u>\$ 325,243</u>	<u>\$ 226,809</u>	<u>\$ 1,530,950</u>	<u>\$ 2,083,002</u>	<u>\$ 7,290,748</u>

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CITY OF COVINA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the fiscal year ended June 30, 2010

	Special Revenue Funds						Municipal Parking District
	Community Development Block Grant	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	Air Quality	
Revenues:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,100
Business license taxes	-	-	-	-	-	-	-
Intergovernmental	720,800	470,571	25,874	801,646	945,096	56,094	10
Charges for services	-	14,702	-	-	220,813	-	85,823
Special assessments	-	491,871	-	-	-	-	-
Investment earnings	-	7,449	2,815	7,136	40,349	4,093	4,622
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>720,800</u>	<u>984,593</u>	<u>28,689</u>	<u>808,782</u>	<u>1,206,258</u>	<u>60,187</u>	<u>114,555</u>
Expenditures:							
Current:							
Public safety	-	612,317	15,895	-	-	-	-
Public works	-	-	-	953,590	-	30,533	156,955
Culture and recreation	-	-	-	-	-	-	-
Transit	-	-	-	-	902,971	-	-
Redevelopment and housing	727,650	-	-	-	-	-	-
Capital outlay	-	13,520	14,178	-	550	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>727,650</u>	<u>625,837</u>	<u>30,073</u>	<u>953,590</u>	<u>903,521</u>	<u>30,533</u>	<u>156,955</u>
Excess (deficiency) of revenues over expenditures	<u>(6,850)</u>	<u>358,756</u>	<u>(1,384)</u>	<u>(144,808)</u>	<u>302,737</u>	<u>29,654</u>	<u>(42,400)</u>
Other financing sources (uses):							
Transfers in	15,628	46	-	-	145,958	-	-
Transfers out	-	(80,087)	-	-	(232,895)	-	-
Total other financing sources (uses)	<u>15,628</u>	<u>(80,041)</u>	<u>-</u>	<u>-</u>	<u>(86,937)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>8,778</u>	<u>278,715</u>	<u>(1,384)</u>	<u>(144,808)</u>	<u>215,800</u>	<u>29,654</u>	<u>(42,400)</u>
Fund balances at beginning of year (deficits)	<u>(8,788)</u>	<u>296,156</u>	<u>216,768</u>	<u>651,915</u>	<u>1,713,240</u>	<u>204,935</u>	<u>261,657</u>
Fund balances at end of year (deficits)	<u>\$ (10)</u>	<u>\$ 574,871</u>	<u>\$ 215,384</u>	<u>\$ 507,107</u>	<u>\$ 1,929,040</u>	<u>\$ 234,589</u>	<u>\$ 219,257</u>

Special Revenue Funds								
Lighting Assessment District	Landscaping Assessment District	Sewer Assessment District	Community Facilities District	Shoppers Lane Parking District	Library Grant	City Donation	Other Grants	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,100
-	-	-	-	1,224	-	-	-	1,224
-	-	-	-	-	52,412	-	102,093	3,174,596
-	-	-	-	-	-	-	-	321,338
125,494	116,248	-	-	-	-	-	47,694	781,307
-	51	-	-	-	10	-	1,218	67,743
-	-	-	-	-	3,658	-	-	3,658
<u>125,494</u>	<u>116,299</u>	<u>-</u>	<u>-</u>	<u>1,224</u>	<u>56,080</u>	<u>-</u>	<u>151,005</u>	<u>4,373,966</u>
-	-	-	-	-	-	-	-	628,212
192,641	142,960	-	-	1,099	-	-	19,302	1,497,080
-	-	-	-	-	58,328	-	-	58,328
-	-	-	-	-	-	-	-	902,971
-	-	-	-	-	-	-	78,601	806,251
-	-	-	-	-	-	-	-	28,248
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>192,641</u>	<u>142,960</u>	<u>-</u>	<u>-</u>	<u>1,099</u>	<u>58,328</u>	<u>-</u>	<u>97,903</u>	<u>3,921,090</u>
<u>(67,147)</u>	<u>(26,661)</u>	<u>-</u>	<u>-</u>	<u>125</u>	<u>(2,248)</u>	<u>-</u>	<u>53,102</u>	<u>452,876</u>
123,097	770	-	-	2,845	576	-	-	288,920
-	-	(437,500)	-	-	(15,760)	(316,289)	(119,715)	(1,202,246)
<u>123,097</u>	<u>770</u>	<u>(437,500)</u>	<u>-</u>	<u>2,845</u>	<u>(15,184)</u>	<u>(316,289)</u>	<u>(119,715)</u>	<u>(913,326)</u>
55,950	(25,891)	(437,500)	-	2,970	(17,432)	(316,289)	(66,613)	(460,450)
(74,202)	24,765	437,500	(27,108)	(2,970)	17,432	316,289	134,856	4,162,445
<u>\$ (18,252)</u>	<u>\$ (1,126)</u>	<u>\$ -</u>	<u>\$ (27,108)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,243</u>	<u>\$ 3,701,995</u>

(Continued)

CITY OF COVINA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the fiscal year ended June 30, 2010

	Capital Projects Funds				Total Non-Major Governmental Funds
	General Projects	Park Development	Transportation	Total	
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 24,100
Business license taxes	-	-	-	-	1,224
Intergovernmental	-	10,390	1,322,074	1,332,464	4,507,060
Charges for services	61,335	-	-	61,335	382,673
Special assessments	-	-	-	-	781,307
Investment earnings	6,602	4,938	34,787	46,327	114,070
Miscellaneous	-	-	-	-	3,658
Total revenues	<u>67,937</u>	<u>15,328</u>	<u>1,356,861</u>	<u>1,440,126</u>	<u>5,814,092</u>
Expenditures:					
Current:					
Public safety	-	-	-	-	628,212
Public works	-	-	21,147	21,147	1,518,227
Culture and recreation	-	-	-	-	58,328
Transit	-	-	93,107	93,107	996,078
Redevelopment and housing	-	-	-	-	806,251
Capital outlay	-	10,390	2,666,522	2,676,912	2,705,160
Debt service:					
Principal retirement	-	-	385,000	385,000	385,000
Interest and fiscal charges	-	-	107,875	107,875	107,875
Total expenditures	<u>-</u>	<u>10,390</u>	<u>3,273,651</u>	<u>3,284,041</u>	<u>7,205,131</u>
Excess (deficiency) of revenues over expenditures	<u>67,937</u>	<u>4,938</u>	<u>(1,916,790)</u>	<u>(1,843,915)</u>	<u>(1,391,039)</u>
Other financing sources (uses):					
Transfers in	25,929	-	442,422	468,351	757,271
Transfers out	-	-	(213,303)	(213,303)	(1,415,549)
Total other financing sources (uses)	<u>25,929</u>	<u>-</u>	<u>229,119</u>	<u>255,048</u>	<u>(658,278)</u>
Net change in fund balances	<u>93,866</u>	<u>4,938</u>	<u>(1,687,671)</u>	<u>(1,588,867)</u>	<u>(2,049,317)</u>
Fund balances at beginning of year	231,377	221,700	2,784,231	3,237,308	7,399,753
Fund balances at end of year	<u>\$ 325,243</u>	<u>\$ 226,638</u>	<u>\$ 1,096,560</u>	<u>\$ 1,648,441</u>	<u>\$ 5,350,436</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Tax Allocation Debt Service Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Final	Positive (Negative)
Budgetary fund balance, July 1	\$ 6,584,875	\$ 6,584,875	\$ 6,584,875	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	5,700,000	5,700,000	6,374,162	674,162
Unsecured personal	905,000	905,000	584,243	(320,757)
Prior year secured and unsecured	440,000	440,000	23,041	(416,959)
Supplemental roll	125,000	125,000	2,560	(122,440)
Intergovernmental:				
State-homeowner exemption	31,000	31,000	12,680	(18,320)
County pass-through	-	-	(3,818,662)	(3,818,662)
Investment earnings	49,200	49,200	113,913	64,713
Amounts available for appropriation	<u>13,835,075</u>	<u>13,835,075</u>	<u>9,876,812</u>	<u>(3,958,263)</u>
Charges to appropriations (outflows):				
Administration	348,370	348,370	161,184	187,186
Debt service:				
Principal retirement	4,492,580	4,492,580	4,450,178	42,402
Interest and fiscal charges	1,543,330	1,543,330	1,473,660	69,670
Total debt service	6,384,280	6,384,280	6,085,022	299,258
Transfers out - Redevelopment Agency Fund	-	3,099,250	3,099,250	-
Total charges to appropriations	<u>6,384,280</u>	<u>9,483,530</u>	<u>9,184,272</u>	<u>299,258</u>
Budgetary fund balance, June 30	<u>\$ 7,450,795</u>	<u>\$ 4,351,545</u>	<u>\$ 692,540</u>	<u>\$ (3,659,005)</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Redevelopment Agency Capital Projects Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Final	Positive (Negative)
Budgetary fund balance, July 1	\$ 31,829,210	\$ 31,829,210	\$ 31,829,210	\$ -
Resources (inflows):				
Charges for services-redevelopment and housing	847,220	847,220	856,384	9,164
Investment earnings	301,110	301,110	378,323	77,213
Miscellaneous	51,000	51,000	41,002	(9,998)
Transfers in - Tax Allocation Fund	-	-	3,234,000	3,234,000
Loan proceeds	-	-	2,310,000	2,310,000
Gain on sale	47,450	47,450	-	(47,450)
Amounts available for appropriation	<u>33,075,990</u>	<u>33,075,990</u>	<u>38,648,919</u>	<u>5,572,929</u>
Charges to appropriations (outflows):				
Redevelopment and housing:				
Redevelopment-housing administration	1,322,350	2,691,790	1,307,088	1,384,702
Marketing	475,190	508,760	370,801	137,959
Redevelopment	3,574,630	6,864,710	812,966	6,051,744
Capital outlay	<u>1,050,000</u>	<u>1,050,000</u>	-	<u>1,050,000</u>
Total redevelopment and housing	6,422,170	11,115,260	2,490,855	8,624,405
Nondepartmental-contingency	88,760	88,760	-	88,760
Transfers out	-	-	269,500	(269,500)
Total charges to appropriations	<u>6,510,930</u>	<u>11,204,020</u>	<u>2,760,355</u>	<u>8,443,665</u>
Budgetary fund balance, June 30	<u>\$ 26,565,060</u>	<u>\$ 21,871,970</u>	<u>\$ 35,888,564</u>	<u>\$ 14,016,594</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Community Development Block Grant Special Revenue Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Final	Positive (Negative)
Budgetary fund balance, July 1	\$ (8,788)	\$ (8,788)	\$ (8,788)	\$ -
Resources (inflows):				
Intergovernmental:				
Federal-Community Development Block Grant	442,630	612,100	720,800	108,700
Transfers in-General Fund	54,630	54,630	15,628	(39,002)
Amounts available for appropriation	<u>488,472</u>	<u>657,942</u>	<u>727,640</u>	<u>69,698</u>
Charges to appropriations (outflows):				
Redevelopment and housing:				
CDBG administration	97,800	201,498	44,691	156,807
Business assistance	20,000	659,749	470,575	189,174
Public service	64,620	64,620	59,869	4,751
Residential rehabilitation	20,000	37,606	17,726	19,880
Public improvements	<u>283,840</u>	<u>283,840</u>	<u>134,789</u>	<u>149,051</u>
Total charges to appropriations	<u>486,260</u>	<u>1,247,313</u>	<u>727,650</u>	<u>519,663</u>
Budgetary fund balance, June 30	<u>\$ 2,212</u>	<u>\$ (589,371)</u>	<u>\$ (10)</u>	<u>\$ 589,361</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Law Enforcement Special Revenue Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive
	Original	Final		(Negative)
Budgetary fund balance, July 1	\$ 296,156	\$ 296,156	\$ 296,156	\$ -
Resources (inflows):				
Intergovernmental:				
Federal:				
Local Law Enforcement Block Grant	21,890	21,890	-	(21,890)
Homeland Security Grant	-	-	22,123	22,123
COPS in School	-	202,214	202,215	1
Justice Assistance Grant	-	-	107,581	107,581
State:				
Supplemental Law Enforcement Grant	100,000	100,000	100,000	-
Other governmental units	-	-	38,652	38,652
Charges for services-police fee	36,000	36,000	14,702	(21,298)
Fines & Forfeits	194,220	-	491,871	491,871
Investment earnings	-	-	7,449	7,449
Transfers in:				
General Fund	6,532	11,199	46	(11,153)
Amounts available for appropriation	<u>654,798</u>	<u>667,459</u>	<u>1,280,795</u>	<u>613,336</u>
Charges to appropriations (outflows):				
Public safety:				
Police administration	28,545	48,120	3,885	44,235
Crime prevention	105,977	105,977	33,030	72,947
Police patrol	413,862	488,883	529,213	(40,330)
Traffic safety	56,752	56,752	43,232	13,520
Police computer services	2,956	2,956	2,956	-
Capital outlay	-	-	13,520	(13,520)
Transfers out	6,532	11,199	80,088	(68,889)
Total charges to appropriations	<u>614,624</u>	<u>713,887</u>	<u>705,924</u>	<u>7,963</u>
Budgetary fund balance, June 30	<u>\$ 40,174</u>	<u>\$ (46,428)</u>	<u>\$ 574,871</u>	<u>\$ 621,299</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Narcotic Seizure Special Revenue Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 216,768	\$ 216,768	\$ 216,768	\$ -
Resources (inflows):				
Intergovernmental:				
State-Narcotic Seizure Program Grant	-	-	25,874	25,874
Investment earnings	-	-	2,815	2,815
Amounts available for appropriation	216,768	216,768	245,457	28,689
Charges to appropriations (outflows):				
Public safety-special detail services	-	-	30,073	(30,073)
Budgetary fund balance, June 30	<u>\$ 216,768</u>	<u>\$ 216,768</u>	<u>\$ 215,384</u>	<u>\$ (1,384)</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 State Gas Tax Special Revenue Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 651,915	\$ 651,915	\$ 651,915	\$ -
Resources (inflows):				
Intergovernmental:				
State-gas tax	860,400	860,400	801,646	(58,754)
Investment earnings	<u>9,900</u>	<u>9,900</u>	<u>7,136</u>	<u>(2,764)</u>
Amounts available for appropriation	<u>1,522,215</u>	<u>1,522,215</u>	<u>1,460,697</u>	<u>(61,518)</u>
Charges to appropriations (outflows):				
Public works:				
Streets	843,590	843,590	793,590	50,000
Street lighting	90,000	90,000	90,000	-
Traffic control	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Total charges to appropriations	<u>1,003,590</u>	<u>1,003,590</u>	<u>953,590</u>	<u>50,000</u>
Budgetary fund balance, June 30	<u>\$ 518,625</u>	<u>\$ 518,625</u>	<u>\$ 507,107</u>	<u>\$ (11,518)</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Transit Special Revenue Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 1,713,240	\$ 1,713,240	\$ 1,713,240	\$ -
Resources (inflows):				
Intergovernmental:				
County-Proposition A	790,289	790,289	945,096	154,807
Charges for services-transit	274,400	274,400	220,813	(53,587)
Investment earnings	17,000	17,000	40,349	23,349
Transfers in:				
General Fund	-	-	145,958	145,958
Amounts available for appropriation	<u>2,794,929</u>	<u>2,794,929</u>	<u>3,065,456</u>	<u>270,527</u>
Charges to appropriations (outflows):				
Transit:				
Transit administration	202,170	202,170	135,902	66,268
Transit operation	1,076,780	1,087,780	767,619	320,161
Transfers out	-	162,743	232,895	(70,152)
Total charges to appropriations	<u>1,278,950</u>	<u>1,452,693</u>	<u>1,136,416</u>	<u>316,277</u>
Budgetary fund balance, June 30	<u>\$ 1,515,979</u>	<u>\$ 1,342,236</u>	<u>\$ 1,929,040</u>	<u>\$ 586,804</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Air Quality Special Revenue Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 204,935	\$ 204,935	\$ 204,935	\$ -
Resources (inflows):				
Intergovernmental:				
Other government units-motor vehicle environmental fee	56,950	56,950	56,094	(856)
Investment earnings	-	-	4,093	4,093
Amounts available for appropriation	261,885	261,885	265,122	3,237
Charges to appropriations (outflows):				
Public works-air quality	85,000	85,000	30,533	54,467
Budgetary fund balance, June 30	<u>\$ 176,885</u>	<u>\$ 176,885</u>	<u>\$ 234,589</u>	<u>\$ 57,704</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Municipal Parking District Special Revenue Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 261,657	\$ 261,657	\$ 261,657	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	26,800	26,800	23,826	(2,974)
Unsecured personal	700	700	186	(514)
Prior year secured and unsecured	500	500	(10)	(510)
Supplemental roll	20	20	98	78
Interest and penalties	200	200	12	(188)
Intergovernmental:				
State-homeowner exemption	20	20	10	(10)
Charges for services-public works	73,000	73,000	85,823	12,823
Investment earnings	<u>2,600</u>	<u>2,600</u>	<u>4,610</u>	<u>2,010</u>
Amounts available for appropriation	365,497	365,497	376,212	10,715
Charges to appropriations (outflows):				
Public works-public parking	<u>137,500</u>	<u>219,412</u>	<u>156,955</u>	<u>62,457</u>
Budgetary fund balance, June 30	<u>\$ 227,997</u>	<u>\$ 146,085</u>	<u>\$ 219,257</u>	<u>\$ 73,172</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Lighting Assessment District Special Revenue Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ (74,202)	\$ (74,202)	\$ (74,202)	\$ -
Resources (inflows):				
Special assessments	122,500	122,500	125,494	2,994
Transfers in-General Fund	-	-	123,097	123,097
Amounts available for appropriation	48,298	48,298	174,389	126,091
Charges to appropriations (outflows):				
Public works-street lighting	204,660	204,660	192,641	12,019
Budgetary fund balance, June 30	<u>\$ (156,362)</u>	<u>\$ (156,362)</u>	<u>\$ (18,252)</u>	<u>\$ 138,110</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Landscaping Assessment District Special Revenue Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 24,765	\$ 24,765	\$ 24,765	\$ -
Resources (inflows):				
Special assessments	113,900	113,900	116,248	2,348
Investment earnings	1,200	1,200	51	(1,149)
Transfers in	-	-	770	770
Amounts available for appropriation	139,865	139,865	141,834	1,969
Charges to appropriations (outflows):				
Public works-street landscaping	148,940	148,940	142,960	5,980
Budgetary fund balance, June 30	<u>\$ (9,075)</u>	<u>\$ (9,075)</u>	<u>\$ (1,126)</u>	<u>\$ 7,949</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Sewer Assessment District Special Revenue Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 437,500	\$ 437,500	\$ 437,500	\$ -
Charges to appropriations (outflows):				
Transfers out - Sewer Enterprise	-	-	437,500	(437,500)
Budgetary fund balance, June 30	<u>\$ 437,500</u>	<u>\$ 437,500</u>	<u>\$ -</u>	<u>\$ (437,500)</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Community Facilities District Special Revenue Fund
 For the fiscal year ended June 30, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Final</u>	
Budgetary fund balance, July 1	\$ (27,108)	\$ (27,108)	\$ (27,108)	\$ -
Budgetary fund balance, June 30	<u>\$ (27,108)</u>	<u>\$ (27,108)</u>	<u>\$ (27,108)</u>	<u>\$ -</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Shoppers Lane Parking District Special Revenue Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ (2,970)	\$ (2,970)	\$ (2,970)	\$ -
Resources (inflows):				
Business license taxes	1,100	1,100	1,224	124
Transfers in-General Fund	<u>-</u>	<u>-</u>	<u>2,845</u>	<u>2,845</u>
Amounts available for appropriation	(1,870)	(1,870)	1,099	2,969
Charges to appropriations (outflows):				
Public works-public parking	<u>5,350</u>	<u>5,350</u>	<u>1,099</u>	<u>4,251</u>
Budgetary fund balance, June 30	<u>\$ (7,220)</u>	<u>\$ (7,220)</u>	<u>\$ -</u>	<u>\$ 7,220</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Library Grant Special Revenue Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 17,432	\$ 17,432	\$ 17,432	\$ -
Resources (inflows):				
Intergovernmental-State:				
Literacy Grant	21,061	21,061	52,412	31,351
Miscellaneous-donations	23,740	23,740	3,658	(20,082)
Investment earnings	-	-	10	10
Transfers in-General Fund	44,170	44,170	576	(43,594)
Amounts available for appropriation	106,403	106,403	74,088	(32,315)
Charges to appropriations (outflows):				
Culture and recreation-library services	101,890	106,390	58,328	48,062
Transfers out-General Fund	-	-	15,760	(15,760)
Total charges to appropriations	101,890	106,390	74,088	32,302
Budgetary fund balance, June 30	<u>\$ 4,513</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ (13)</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 City Donation Special Revenue Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 316,289	\$ 316,289	\$ 316,289	\$ -
Charges to appropriations (outflows):				
Culture and recreation:				
Transfers out - General Fund	-	-	316,289	(316,289)
Budgetary fund balance, June 30	<u>\$ 316,289</u>	<u>\$ 316,289</u>	<u>\$ -</u>	<u>\$ (316,289)</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Other Grants Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 134,856	\$ 134,856	\$ 134,856	\$ -
Resources (inflows):				
Intergovernmental-State:				
Governmental	25,680	25,680	102,093	76,413
Special assessments	-	-	47,694	47,694
Investment earnings	-	-	1,218	1,218
Amounts available for appropriation	160,536	160,536	285,861	125,325
Charges to appropriations (outflows):				
Public safety	3,659	3,659	-	3,659
Public works	8,984	12,630	19,302	(6,672)
Redevelopment and housing	3,646	97,941	78,601	19,340
Transfers out	-	-	119,715	(119,715)
Total charges to appropriations	16,289	114,230	217,618	(103,388)
Budgetary fund balance, June 30	<u>\$ 144,247</u>	<u>\$ 46,306</u>	<u>\$ 68,243</u>	<u>\$ 21,937</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 General Projects Capital Projects Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 231,377	\$ 231,377	\$ 231,377	\$ -
Resources (inflows):				
Charges for services-developer impact fees streets	-	-	61,335	61,335
Investment earnings	3,900	3,900	6,602	2,702
Transfers in	-	13,000,000	25,929	(12,974,071)
Amounts available for appropriations	235,277	13,235,277	325,243	(12,910,034)
Charges to appropriations (outflows):				
Redevelopment and housing-redevelopment	315,550	891,469	-	891,469
Budgetary fund balance, June 30	<u>\$ (80,273)</u>	<u>\$ 12,343,808</u>	<u>\$ 325,243</u>	<u>\$ (12,018,565)</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Park Development Capital Projects Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 221,700	\$ 221,700	\$ 221,700	\$ -
Resources (inflows):				
Intergovernmental:				
County Park Grant	-	36,427	10,390	(26,037)
Investment earnings	1,200	1,200	4,938	3,738
Transfers in-General Fund	<u>100,832</u>	<u>100,832</u>	<u>-</u>	<u>(100,832)</u>
Amounts available for appropriation	323,732	360,159	237,028	(123,131)
Charges to appropriations (outflows):				
Culture and recreation-park facilities	<u>-</u>	<u>36,427</u>	<u>10,390</u>	<u>26,037</u>
Budgetary fund balance, June 30	<u>\$ 323,732</u>	<u>\$ 323,732</u>	<u>\$ 226,638</u>	<u>\$ (97,094)</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Transportation Capital Projects Fund
 For the fiscal year ended June 30, 2010

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 2,784,231	\$ 2,784,231	\$ 2,784,231	\$ -
Resources (inflows):				
Intergovernmental:				
State:				
Traffic Congestion Relief	474,220	474,220	13,817	(460,403)
Transportation Program	1,455,000	1,455,000	839,829	(615,171)
County:				
Proposition C	664,170	664,170	522,973	(141,197)
MTA Grant	172,000	172,000	21,378	(150,622)
Surface Transportation Grant	400,000	400,000	(75,923)	(475,923)
Investment earnings	-	-	34,787	34,787
Transfers in-General Fund	153,486	76,743	442,422	365,679
Amounts available for appropriation	<u>6,103,107</u>	<u>6,026,364</u>	<u>4,583,514</u>	<u>(1,442,850)</u>
Charges to appropriations (outflows):				
Public works-streets	731,590	4,069,307	21,147	4,048,160
Transit-transit operation	145,460	102,460	93,107	9,353
Capital outlay	-	-	154,290	(154,290)
Debt service:				
Principal retirement	350,000	350,000	385,000	(35,000)
Interest and fiscal charges	143,880	143,880	107,875	36,005
Total debt service	<u>493,880</u>	<u>493,880</u>	<u>492,875</u>	<u>1,005</u>
Transfers out	<u>136,627</u>	<u>136,627</u>	<u>213,303</u>	<u>(76,676)</u>
Total charges to appropriations	<u>1,507,557</u>	<u>4,802,274</u>	<u>974,722</u>	<u>3,827,552</u>
Budgetary fund balance, June 30	<u>\$ 4,595,550</u>	<u>\$ 1,224,090</u>	<u>\$ 3,608,792</u>	<u>\$ 2,384,702</u>

Internal Service Funds

The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Generally accepted accounting principles (GAAP) requires statement of net asset items, and revenues and expenses of individual internal service funds be consolidated with the government-wide statement of net assets and activities. GAAP still requires internal service funds to be presented in the financial statements.

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Fund Net Assets
- Statement of Cash Flows

The following are the individual internal service funds of the City:

Management Information Systems accounts for the accumulation and allocation of costs associated with data processing and electronic information technology.

Central Equipment accounts for the rental of motor vehicles to other departments and related costs.

Workers' Compensation accounts for the cost of worker's compensation costs to other departments.

General Liability accounts for the general liability charges to other departments and related costs.

CITY OF COVINA, CALIFORNIA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2010

	Management Information Systems	Central Equipment	Workers' Compensation	General Liability	Total
Assets					
Current assets:					
Cash and investments	\$ 1,289,684	\$ 763,193	\$ 3,735,000	\$ 1,673,000	\$ 7,460,877
Due from other funds	154	590	-	-	744
Due from other governments	-	19,629	-	-	19,629
Inventories	-	70,961	-	-	70,961
Total current assets	<u>1,289,838</u>	<u>854,373</u>	<u>3,735,000</u>	<u>1,673,000</u>	<u>7,552,211</u>
Capital assets:					
Machinery and equipment	2,405,511	4,419,900	-	-	6,825,411
Less accumulated depreciation	<u>(1,947,429)</u>	<u>(3,347,651)</u>	<u>-</u>	<u>-</u>	<u>(5,295,080)</u>
Total capital assets (net of accumulated depreciation)	<u>458,082</u>	<u>1,072,249</u>	<u>-</u>	<u>-</u>	<u>1,530,331</u>
Total assets	<u>1,747,920</u>	<u>1,926,622</u>	<u>3,735,000</u>	<u>1,673,000</u>	<u>9,082,542</u>
Liabilities					
Current liabilities:					
Accounts payable	18,109	24,904	-	-	43,013
Current portion of compensated absences payable	5,990	8,290	-	-	14,280
Accrued liabilities	<u>10,109</u>	<u>10,670</u>	<u>-</u>	<u>-</u>	<u>20,779</u>
Total current liabilities	<u>34,208</u>	<u>43,864</u>	<u>-</u>	<u>-</u>	<u>78,072</u>
Noncurrent liabilities:					
Compensated absences payable	34,000	47,900	-	-	81,900
Advances from other funds	-	-	15,000	-	15,000
Total noncurrent liabilities	<u>34,000</u>	<u>47,900</u>	<u>15,000</u>	<u>-</u>	<u>96,900</u>
Total liabilities	<u>68,208</u>	<u>91,764</u>	<u>15,000</u>	<u>-</u>	<u>174,972</u>
Net Assets					
Invested in capital assets, net of related debt	458,082	1,072,249	-	-	1,530,331
Unrestricted	<u>1,221,630</u>	<u>762,609</u>	<u>3,720,000</u>	<u>1,673,000</u>	<u>7,377,239</u>
Total net assets	<u>\$ 1,679,712</u>	<u>\$ 1,834,858</u>	<u>\$ 3,720,000</u>	<u>\$ 1,673,000</u>	<u>\$ 8,907,570</u>

CITY OF COVINA, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the fiscal year ended June 30, 2010

	Management Information Systems	Central Equipment	Workers' Compensation	General Liability	Total
Operating Revenues:					
Information technology charges	\$ 1,199,440	\$ -	\$ -	\$ -	\$ 1,199,440
Motor pool charges	-	1,369,118	-	-	1,369,118
Total operating revenues	<u>1,199,440</u>	<u>1,369,118</u>	<u>-</u>	<u>-</u>	<u>2,568,558</u>
Operating expenses:					
Management information systems:					
Administration	19,960	-	-	-	19,960
General systems	345,900	-	-	-	345,900
Citywide network	88,330	-	-	-	88,330
Financial systems	177,028	-	-	-	177,028
Central equipment:					
Administration	-	191,049	-	-	191,049
Vehicle and equipment operation	-	791,034	-	-	791,034
Depreciation	<u>142,028</u>	<u>214,437</u>	<u>-</u>	<u>-</u>	<u>356,465</u>
Total operating expenses	<u>773,246</u>	<u>1,196,520</u>	<u>-</u>	<u>-</u>	<u>1,969,766</u>
Operating income	<u>426,194</u>	<u>172,598</u>	<u>-</u>	<u>-</u>	<u>598,792</u>
Nonoperating revenues (expenses):					
Interest revenue	26,699	25,693	-	-	52,392
Interest expense	(5,902)	-	-	-	(5,902)
Transfer in	-	-	3,720,000	1,673,000	5,393,000
Transfer out	-	(1,000,000)	-	-	(1,000,000)
Loss on sale and disposal of capital assets	<u>(707)</u>	<u>(879)</u>	<u>-</u>	<u>-</u>	<u>(1,586)</u>
Total nonoperating revenues (expenses)	<u>20,090</u>	<u>(975,186)</u>	<u>3,720,000</u>	<u>1,673,000</u>	<u>4,437,904</u>
Change in net assets	446,284	(802,588)	3,720,000	1,673,000	5,036,696
Net assets at beginning of year	<u>1,233,428</u>	<u>2,637,446</u>	<u>-</u>	<u>-</u>	<u>3,870,874</u>
Net assets at end of year	<u>\$ 1,679,712</u>	<u>\$ 1,834,858</u>	<u>\$ 3,720,000</u>	<u>\$ 1,673,000</u>	<u>\$ 8,907,570</u>

CITY OF COVINA, CALIFORNIA
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2010

	Management Information Systems	Central Equipment	Worker's Compensation	General Liability	Total
Cash flows from operating activities:					
Cash received from customers and users	\$ 1,302,413	\$ 1,367,526	\$ -	\$ -	\$ 2,669,939
Cash paid to suppliers for goods and services	(391,992)	(530,420)	-	-	(922,412)
Cash paid to employees for services	(294,893)	(297,438)	-	-	(592,331)
Cash paid for interfund services	-	(164,751)	-	-	(164,751)
Net cash provided by operating activities	<u>615,528</u>	<u>374,917</u>	<u>-</u>	<u>-</u>	<u>990,445</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(261,395)	(532,489)	-	-	(793,884)
Principal paid on advances from other funds	(107,460)	(590)	-	-	(108,050)
Interest paid on advances from other funds	(5,902)	-	-	-	(5,902)
Net cash used by capital and related financing activities	<u>(374,757)</u>	<u>(533,079)</u>	<u>-</u>	<u>-</u>	<u>(907,836)</u>
Cash flows from non-capital related financing activities:					
Transfers from other funds	-	-	3,735,000	1,673,000	5,408,000
Transfers to other funds	-	(1,000,000)	-	-	(1,000,000)
Net cash provided (used) by non-capital and related financing activities	<u>-</u>	<u>(1,000,000)</u>	<u>3,735,000</u>	<u>1,673,000</u>	<u>4,408,000</u>
Cash flows from investing activities - interest received on investments					
	26,699	25,693	-	-	52,392
Net increase in cash and cash equivalents	267,470	(1,132,469)	3,735,000	1,673,000	4,543,001
Cash and investments at beginning of year	1,022,214	1,895,662	-	-	2,917,876
Cash and investments at end of year	<u>\$ 1,289,684</u>	<u>\$ 763,193</u>	<u>\$ 3,735,000</u>	<u>\$ 1,673,000</u>	<u>\$ 7,460,877</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income	\$ 426,194	\$ 172,598	\$ -	\$ -	\$ 598,792
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	142,028	214,437	-	-	356,465
Change in operating assets and liabilities:					
Decrease in accounts receivable	624	590	-	-	1,214
Increase in due from other governments	-	(2,182)	-	-	(2,182)
Decrease in prepaid expenses	50,190	-	-	-	50,190
Decrease in inventories	-	(1,911)	-	-	(1,911)
Decrease in accounts payable	(8,929)	(14,741)	-	-	(23,670)
Increase in compensated absences payable	3,350	2,750	-	-	6,100
Increase in accrued liabilities	2,071	3,376	-	-	5,447
Total adjustments	<u>189,334</u>	<u>202,319</u>	<u>-</u>	<u>-</u>	<u>391,653</u>
Net cash provided by operating activities	<u>\$ 615,528</u>	<u>\$ 374,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 990,445</u>
Noncash capital, financing and investing activities					
Retirement of capital assets	\$ (552,607)	\$ (322,371)	\$ -	\$ -	\$ (874,978)
Retirement of accumulated depreciation on capital assets	551,901	321,491	-	-	873,392
Net effect of noncash activities	<u>\$ (706)</u>	<u>\$ (880)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,586)</u>

Agency Funds

Agency funds are used to account for assets held by the City as trustee or agent for individuals, private organizations, or other governmental units or funds.

Downtown District accounts for funds collected and disbursed by the City on behalf of the Downtown District Association members.

Prospero Park District accounts for funds collected and disbursed by the City on behalf of the Prospero Park District Association members.

CITY OF COVINA, CALIFORNIA
 Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 For the fiscal year ended June 30, 2010

	<u>Downtown District</u>	<u>Prospero Park District</u>	<u>Totals</u>
Assets			
Cash and investments	250	-	250
Liabilities			
Due to association	250	-	250

See accompanying notes to financial statements.

CITY OF COVINA, CALIFORNIA
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the fiscal year ended June 30, 2010

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<u>Downtown District</u>				
Assets				
Cash and investments	-	10,392	(10,142)	250
Liabilities				
Due to association	-	10,392	(10,142)	250
<u>Prospero Park District</u>				
Assets				
Cash and investments	-	7,899	(7,899)	-
Liabilities				
Due to association	-	7,899	(7,899)	-
<u>Total Agency Funds</u>				
Assets				
Cash and investments	-	18,291	(18,041)	250
Liabilities				
Due to association	-	18,291	(18,041)	250

See accompanying notes to financial statements.

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Statistical Section

This part of the City of Covina’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Financial Trends

Page No.

These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.

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Revenue Capacity

These schedules contain information to help the reader assess the City’s significant local revenue source, the property tax.

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Debt Capacity

These schedules contain information to help the reader assess the affordability of the City’s current levels of outstanding debt and the ability to issue additional debt in the future.

127

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.

133

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.

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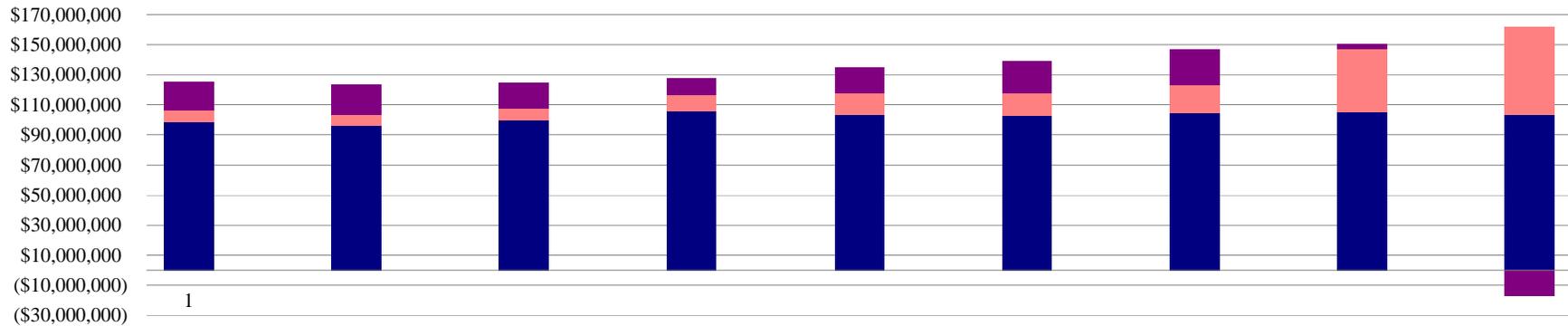
Debt Continuing Disclosure

These schedules contain information that complies with continuing disclosure requirements of each bond issued.

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CITY OF COVINA, CALIFORNIA
 Net Assets by Component
 Last Nine Fiscal Years⁽¹⁾
 (accrual basis of accounting)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities									
Invested in capital assets, net of related debt	\$ 91,136,518	\$ 87,942,935	\$ 91,520,928	\$ 96,910,516	\$ 94,201,342	\$ 93,463,987	\$ 93,809,311	\$ 94,263,857	\$ 90,056,952
Restricted	7,328,338	7,646,136	8,170,210	10,490,780	14,313,629	15,004,400	18,530,089	41,514,531	57,117,453
Unrestricted	13,583,198	15,151,508	11,461,698	5,519,371	10,336,685	13,463,167	16,100,410	(5,144,585)	(23,181,700)
Total governmental activities net assets	<u>\$ 112,048,054</u>	<u>\$ 110,740,579</u>	<u>\$ 111,152,836</u>	<u>\$ 112,920,667</u>	<u>\$ 118,851,656</u>	<u>\$ 121,931,554</u>	<u>\$ 128,439,810</u>	<u>\$ 130,633,803</u>	<u>\$ 123,992,705</u>
Business-type activities									
Invested in capital assets, net of related debt	\$ 7,858,565	\$ 8,042,533	\$ 8,259,548	\$ 8,842,086	\$ 9,210,922	\$ 9,340,814	\$ 11,106,918	\$ 11,081,331	\$ 13,155,096
Restricted							242,609	194,200	1,588,002
Unrestricted	5,221,040	4,836,896	5,276,030	5,484,707	6,472,653	8,117,344	7,309,574	8,383,892	6,408,142
Total business-type activities net assets	<u>\$ 13,079,605</u>	<u>\$ 12,879,429</u>	<u>\$ 13,535,578</u>	<u>\$ 14,326,793</u>	<u>\$ 15,683,575</u>	<u>\$ 17,458,158</u>	<u>\$ 18,659,101</u>	<u>\$ 19,659,423</u>	<u>\$ 21,151,240</u>
Total net assets									
Invested in capital assets, net of related debt	\$ 98,995,083	\$ 95,985,468	\$ 99,780,476	\$ 105,752,602	\$ 103,412,264	\$ 102,804,801	\$ 104,916,229	\$ 105,345,188	\$ 103,212,048
Restricted	7,328,338	7,646,136	8,170,210	10,490,780	14,313,629	15,004,400	18,772,698	41,708,731	58,705,455
Unrestricted	18,804,238	19,988,404	16,737,728	11,004,078	16,809,338	21,580,511	23,409,984	3,239,307	(16,773,558)
Total net assets	<u>\$ 125,127,659</u>	<u>\$ 123,620,008</u>	<u>\$ 124,688,414</u>	<u>\$ 127,247,460</u>	<u>\$ 134,535,231</u>	<u>\$ 139,389,712</u>	<u>\$ 147,098,911</u>	<u>\$ 150,293,226</u>	<u>\$ 145,143,945</u>



■ Total net assets-invested in capital assets, net of related debt ■ Total net assets-restricted ■ Total net assets-unrestricted

⁽¹⁾ Net assets by component not available prior to fiscal year 2002.

CITY OF COVINA, CALIFORNIA

Changes in Net Assets
Last Nine Fiscal Years⁽¹⁾
(accrual basis of accounting)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses									
Governmental activities:									
General government	\$ 2,532,886	\$ 2,748,703	\$ 5,327,654	\$ 4,334,498	\$ 2,715,526	\$ 2,865,088	\$ 2,314,101	\$ 3,142,876	\$ 2,500,818
Public safety	14,588,773	15,140,384	15,850,805	16,535,212	17,402,506	19,474,983	19,708,840	21,209,236	21,354,758
Public works	5,508,235	5,782,852	2,911,801	5,334,006	5,729,144	5,958,931	1,940,499	5,646,611	9,372,078
Culture and recreation	3,081,919	3,113,159	3,340,592	3,207,603	3,470,636	3,639,406	3,611,600	3,953,534	3,775,721
Community development	735,774	351,209	478,487	313,404	673,436	871,061	872,902	674,691	899,683
Transit	444,018	625,591	441,439	394,371	602,471	842,987	928,296	1,035,264	1,255,587
Redevelopment and housing	1,796,224	5,376,969	4,141,783	4,080,456	3,983,007	6,823,408	8,430,738	5,476,535	4,690,369
Nondepartmental	78,441	579,331	626,502	640,670	780,909	783,515	710,097	-	-
Interest on long-term debt	2,772,385	2,201,852	2,138,784	2,147,687	2,095,036	1,971,948	2,686,004	1,801,211	1,767,365
Total governmental activities expenses	31,538,655	35,920,050	35,257,847	36,987,907	37,452,671	43,231,327	41,203,077	42,939,958	45,616,379
Business-type activities:									
Water utility	3,767,628	4,757,077	4,413,396	3,934,198	4,918,545	4,701,051	5,663,819	4,736,319	5,434,940
Environmental protection	2,779,193	2,581,898	3,056,384	3,293,403	3,188,739	3,406,782	3,636,875	3,838,461	3,590,706
Sewer utility									1,306,386
Total business-type activities expenses	6,546,821	7,338,975	7,469,780	7,227,601	8,107,284	8,107,833	9,300,694	8,574,780	10,332,032
Total expenses	\$ 38,085,476	\$ 43,259,025	\$ 42,727,627	\$ 44,215,508	\$ 45,559,955	\$ 51,339,160	\$ 50,503,771	\$ 51,514,738	\$ 55,948,411
Program revenues									
Governmental activities:									
Charges for services:									
General government	\$ 348,842	\$ 437,555	\$ 418,360	\$ 507,297	\$ 615,826	\$ 623,230	\$ 870,996	\$ 1,346,804	\$ 2,143,036
Public safety	933,310	885,777	858,591	957,742	1,163,481	972,892	1,108,955	402,084	630,996
Public works	830,745	358,318	532,976	551,203	497,797	801,087	720,499	1,010,808	469,403
Culture and recreation	541,686	795,442	645,007	663,789	646,731	842,336	625,015	670,775	703,840
Community development	485,875	577,026	624,850	686,359	996,218	906,443	837,228	305,459	733,112
Transit	58,096	60,819	60,739	56,872	105,717	203,242	223,334	229,107	220,813
Redevelopment and housing	817,118	804,372	831,398	868,867	860,536	857,920	873,523	1,002,471	959,081
Nondepartmental	8,619	122,156	-	-	-	-	-	-	-
Operating grants and contributions	2,443,674	2,447,755	2,470,657	2,797,228	2,646,589	3,520,504	3,051,803	3,193,844	4,016,332
Capital grants and contributions	2,180,004	942,548	1,394,769	1,031,227	2,991,437	2,224,198	2,399,175	2,418,316	1,332,464
Total governmental activities program revenues	8,647,969	7,431,768	7,837,347	8,120,584	10,524,332	10,951,852	10,710,528	10,579,668	11,209,077

(Continued)

CITY OF COVINA, CALIFORNIA

Changes in Net Assets
Last Nine Fiscal Years⁽¹⁾
(accrual basis of accounting)

(Continued)

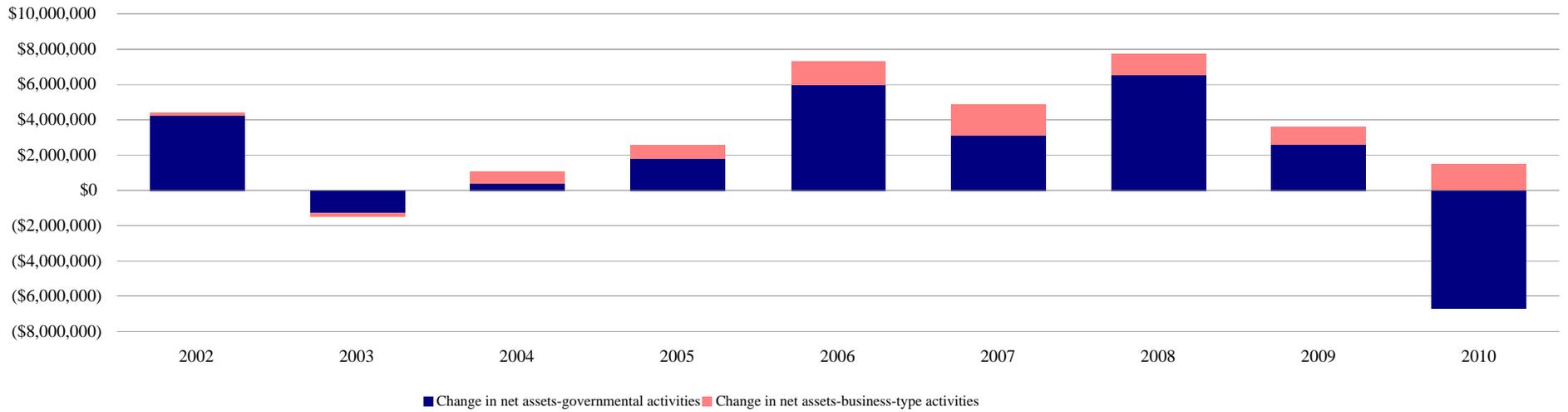
	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Business-type activities:									
Charges for services:									
Water utility	4,670,235	4,323,149	5,168,104	5,088,097	5,967,600	6,096,964	6,185,853	5,460,462	6,625,803
Environmental protection	1,893,273	2,739,078	2,903,358	2,815,351	3,372,873	3,628,004	3,707,867	3,845,177	3,735,408
Sewer Utility									970,717
Operating grants and contributions	29,099	34,960	29,095	70,307	13,425	26,326	26,138	9,797	-
Total business-type activities program revenues	6,592,607	7,097,187	8,100,557	7,973,755	9,353,898	9,751,294	9,919,858	9,315,436	11,331,928
Total program revenues	\$ 15,240,576	\$ 14,528,955	\$ 15,937,904	\$ 16,094,339	\$ 19,878,230	\$ 20,703,146	\$ 20,630,386	\$ 19,895,104	\$ 22,541,005
Net (expense) revenue									
Governmental activities	\$ (22,890,686)	\$ (28,488,282)	\$ (27,420,500)	\$ (28,867,323)	\$ (26,928,339)	\$ (32,279,475)	\$ (30,492,549)	\$ (32,360,290)	\$ (34,407,302)
Business-type activities	45,786	(241,788)	630,777	746,154	1,246,614	1,643,461	619,164	740,656	999,896
Total net expense	\$ (22,844,900)	\$ (28,730,070)	\$ (26,789,723)	\$ (28,121,169)	\$ (25,681,725)	\$ (30,636,014)	\$ (29,873,385)	\$ (31,619,634)	\$ (33,407,406)
General revenues									
Governmental activities:									
Property taxes	\$ 8,846,245	\$ 9,066,253	\$ 8,693,770	\$ 9,041,899	\$ 12,803,622	\$ 14,725,235	\$ 16,124,178	\$ 16,920,696	\$ 13,618,538
Sales taxes	7,150,926	7,290,885	8,053,254	8,347,572	8,774,728	9,035,103	8,633,461	7,306,177	5,914,184
Transient occupancy taxes	426,572	424,727	449,872	484,621	578,418	491,226	423,861	340,175	356,027
Property transfer taxes	163,780	177,504	223,353	307,612	296,459	324,113	158,340	113,113	133,114
Business license taxes	317,044	324,899	385,820	418,336	360,265	383,254	395,503	349,109	368,913
Utility user taxes	4,279,152	4,311,903	4,887,082	5,032,784	5,329,099	5,395,617	5,433,339	5,274,912	5,275,407
Franchise taxes	795,374	965,402	1,031,016	1,028,228	1,098,988	1,187,401	1,191,560	1,314,360	1,148,788
Intergovernmental	3,416,486	3,490,253	2,725,005	4,385,626	1,088,916	675,895	498,071	131,080	145,828
Investment earnings	1,422,183	847,750	655,954	1,161,801	1,816,665	3,047,173	3,448,945	2,078,611	1,236,562
Transfers in/out	-	-	-	-	-	-	-	45,913	(431,157)
Miscellaneous	302,111	281,231	727,630	426,675	712,168	94,356	693,547	1,091,243	-
Total governmental activities	27,119,873	27,180,807	27,832,756	30,635,154	32,859,328	35,359,373	37,000,805	34,965,389	27,766,204
Business-type activities:									
Investment earnings	116,305	41,612	25,372	45,061	110,168	131,122	135,192	86,322	160,868
Investment earnings - CIC	-	-	-	-	-	-	446,587	219,257	(66,408)
Miscellaneous	-	-	-	-	-	-	-	-	(33,696)
Transfers in/out	-	-	-	-	-	-	-	(45,913)	431,157
Total general revenues	\$ 27,236,178	\$ 27,222,419	\$ 27,858,128	\$ 30,680,215	\$ 32,969,496	\$ 35,490,495	\$ 37,582,584	\$ 35,225,055	\$ 28,258,125

(Continued)

CITY OF COVINA, CALIFORNIA
 Changes in Net Assets
 Last Nine Fiscal Years⁽¹⁾
 (accrual basis of accounting)

(Continued)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Change in net assets									
Governmental activities	\$ 4,229,187	\$ (1,307,475)	\$ 412,256	\$ 1,767,831	\$ 5,930,989	\$ 3,079,898	\$ 6,508,256	\$ 2,605,099	\$ (6,641,098)
Business-type activities	162,091	(200,176)	656,149	791,215	1,356,782	1,774,583	1,200,943	1,000,322	1,491,817
Total changes in net assets	\$ 4,391,278	\$ (1,507,651)	\$ 1,068,405	\$ 2,559,046	\$ 7,287,771	\$ 4,854,481	\$ 7,709,199	\$ 3,605,421	\$ (5,149,281)

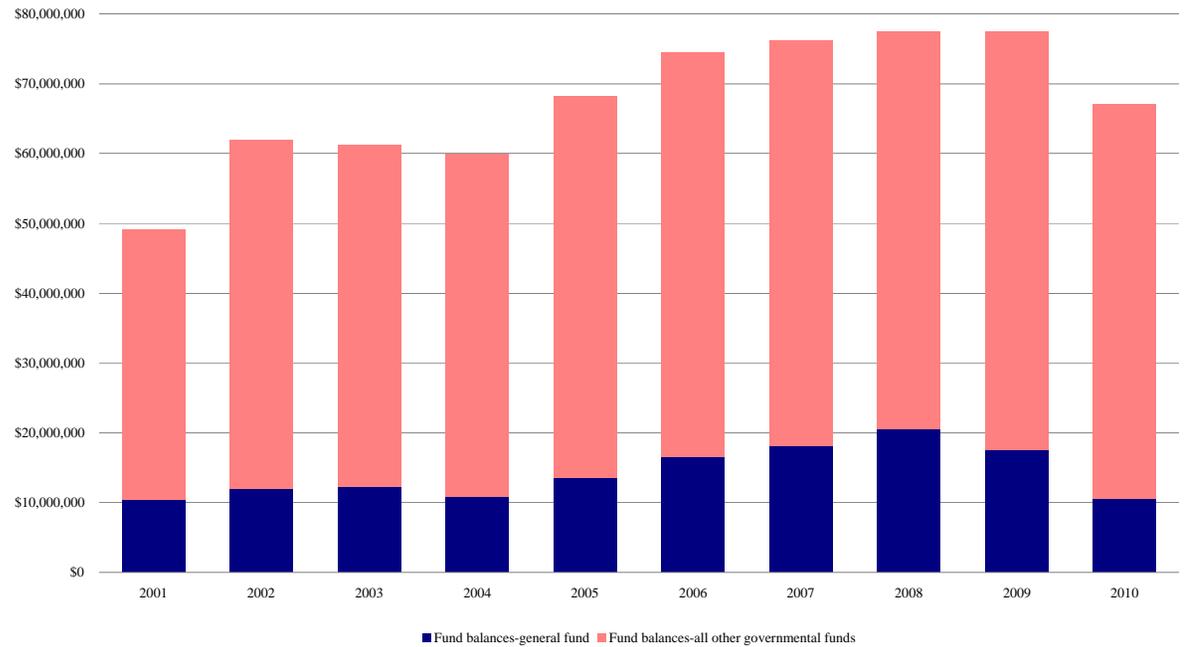


⁽¹⁾ Changes in net assets not available prior to fiscal year 2002

CITY OF COVINA, CALIFORNIA
Fund Balances of Governmental Funds
Last Ten Fiscal Years ⁽¹⁾
(modified accrual basis of accounting)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
General fund									
Reserved	\$ 1,074,415	\$ 968,917	\$ 926,014	\$ 723,878	\$ 679,451	\$ 621,107	\$ 393,457	\$ 1,030,873	\$ 310,399
Unreserved ⁽²⁾	9,199,000	11,089,316	11,347,192	10,087,859	12,946,351	15,972,808	17,682,617	19,467,883	17,179,931
Total general fund	<u>\$ 10,273,415</u>	<u>\$ 12,058,233</u>	<u>\$ 12,273,206</u>	<u>\$ 10,811,737</u>	<u>\$ 13,625,802</u>	<u>\$ 16,593,915</u>	<u>\$ 18,076,074</u>	<u>\$ 20,498,756</u>	<u>\$ 17,490,330</u>
All other governmental funds									
Reserved	\$ 22,337,916	\$ 23,449,036	\$ 22,495,111	\$ 22,407,267	\$ 22,119,157	\$ 24,441,157	\$ 22,736,840	\$ 28,054,791	\$ 34,930,036
Unreserved, reported in:									
Special revenue funds ⁽³⁾	3,423,736	6,243,082	5,539,794	6,324,620	9,087,613	11,860,367	12,884,570	13,638,976	10,047,112
Capital projects funds ⁽⁴⁾	13,034,231	20,219,196	20,958,335	20,378,168	23,435,032	21,590,780	22,497,931	15,223,862	14,968,350
Total all other governmental funds	<u>\$ 38,795,883</u>	<u>\$ 49,911,314</u>	<u>\$ 48,993,240</u>	<u>\$ 49,110,055</u>	<u>\$ 54,641,802</u>	<u>\$ 57,892,304</u>	<u>\$ 58,119,341</u>	<u>\$ 56,917,629</u>	<u>\$ 59,945,498</u>

	2010
General fund	
Nonspendable	\$ 646,252
Restricted	-
Committed	6,385,473
Assigned	457,909
Unassigned	3,118,855
Total general fund	<u>\$ 10,608,489</u>
All other governmental funds	
Nonspendable	\$ 3,916,585
Restricted	50,861,382
Committed	-
Assigned	1,648,441
Total all other governmental funds	<u>\$ 56,426,408</u>



⁽¹⁾ Reserved and unreserved fund balances of governmental funds prior to fiscal year 2002 were restated for GASB 34 comparison purposes.

⁽²⁾ The increase in the general fund unreserved fund balance for fiscal year 2001 is attributed primarily to a one-time reimbursement of \$4.2 million from the State of California for Azusa Avenue.

⁽³⁾ Starting with fiscal year 2000, refuse and waste management special revenue funds were reclassified as an enterprise fund.

⁽⁴⁾ Fiscal year 2002 includes \$10.3 million bond proceeds.

CITY OF COVINA, CALIFORNIA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

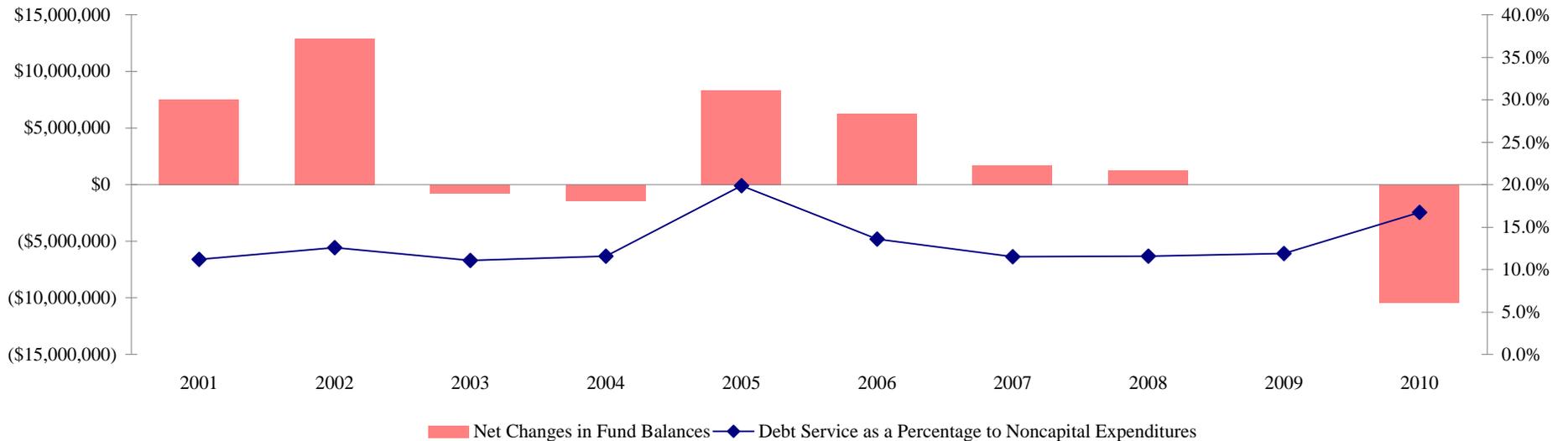
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes	\$ 20,695,284	\$ 21,979,093	\$ 22,561,573	\$ 23,724,167	\$ 24,661,052	\$ 29,241,579	\$ 31,541,949	\$ 32,360,242	\$ 31,618,542	\$ 26,517,007
Licenses and permits	309,713	438,883	468,629	454,286	547,173	711,271	476,306	444,730	210,009	408,891
Intergovernmental	11,716,006	8,040,162	6,880,556	6,590,089	8,214,081	6,726,942	6,420,597	5,949,049	5,612,171	5,494,624
Charges for services	3,407,112	2,532,169	2,568,621	2,522,203	2,756,536	2,873,894	3,371,448	3,232,866	3,015,698	3,358,721
Fines and forfeits	588,206	679,925	672,087	612,436	610,936	801,161	826,974	755,574	608,152	736,304
Special assessments	347,926	356,644	231,217	349,486	330,191	363,188	395,993	646,256	1,133,637	781,307
Investment earnings	1,551,873	1,317,112	789,431	620,233	1,131,554	1,765,829	2,995,417	3,383,590	1,990,066	1,184,170
Miscellaneous	216,219	290,061	281,231	712,631	426,675	712,168	94,356	693,547	1,091,243	449,220
Total revenues	38,832,339	35,634,049	34,453,345	35,585,531	38,678,198	43,196,032	46,123,040	47,465,854	45,279,518	38,930,244
Expenditures										
General government	3,074,918	2,467,443	2,867,488	3,718,980	3,393,950	3,221,988	3,679,816	3,539,841	3,380,536	3,785,471
Public safety	14,088,206	14,218,547	15,054,273	15,624,940	16,352,997	17,090,419	19,206,150	19,542,285	21,174,073	21,397,265
Public works	1,776,650	1,946,387	1,751,669	1,665,903	1,619,766	1,563,035	2,499,640	2,936,385	2,195,664	2,053,646
Culture and recreation	2,606,767	2,906,262	2,922,969	3,136,303	3,012,519	3,263,493	3,442,872	3,431,592	3,777,439	3,634,507
Community development	468,885	729,903	595,454	584,543	630,836	675,795	866,988	878,362	686,297	923,801
Transit	184,303	443,396	477,462	440,271	430,828	487,012	637,775	715,454	804,996	996,078
Redevelopment and housing	3,330,304	3,230,177	6,111,182	3,042,821	3,139,888	3,359,792	5,730,531	7,949,680	4,223,166	4,268,367
Nondepartmental	75,899	25,316	10,098	57,759	52,244	77,591	43,538	52,987	-	-
Capital outlay	2,771,310	3,274,971	1,652,685	5,357,704	9,171,791	2,447,000	3,149,885	2,076,654	4,303,702	3,213,996
Debt service:										
Principal	1,067,422	1,139,310	1,507,592	1,563,789	1,892,752	2,531,225	2,671,038	2,752,453	2,817,958	5,190,621
Interest and fiscal charges	2,146,867	2,618,035	2,205,574	2,142,342	2,215,516	2,162,865	2,039,777	2,369,191	1,942,157	1,840,054
Bond issuance costs	-	-	-	-	1,283,370	-	-	-	-	-
Payment to refunded bond account	-	-	-	-	1,735,000	-	-	-	-	-
Total expenditures	31,591,531	32,999,747	35,156,446	37,335,355	44,931,457	36,880,215	43,968,010	46,244,884	45,305,988	47,303,806
Excess of revenues over (under) expenditures	7,240,808	2,634,302	(703,101)	(1,749,824)	(6,253,259)	6,315,817	2,155,030	1,220,970	(26,470)	(8,373,562)

(Continued)

CITY OF COVINA, CALIFORNIA
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

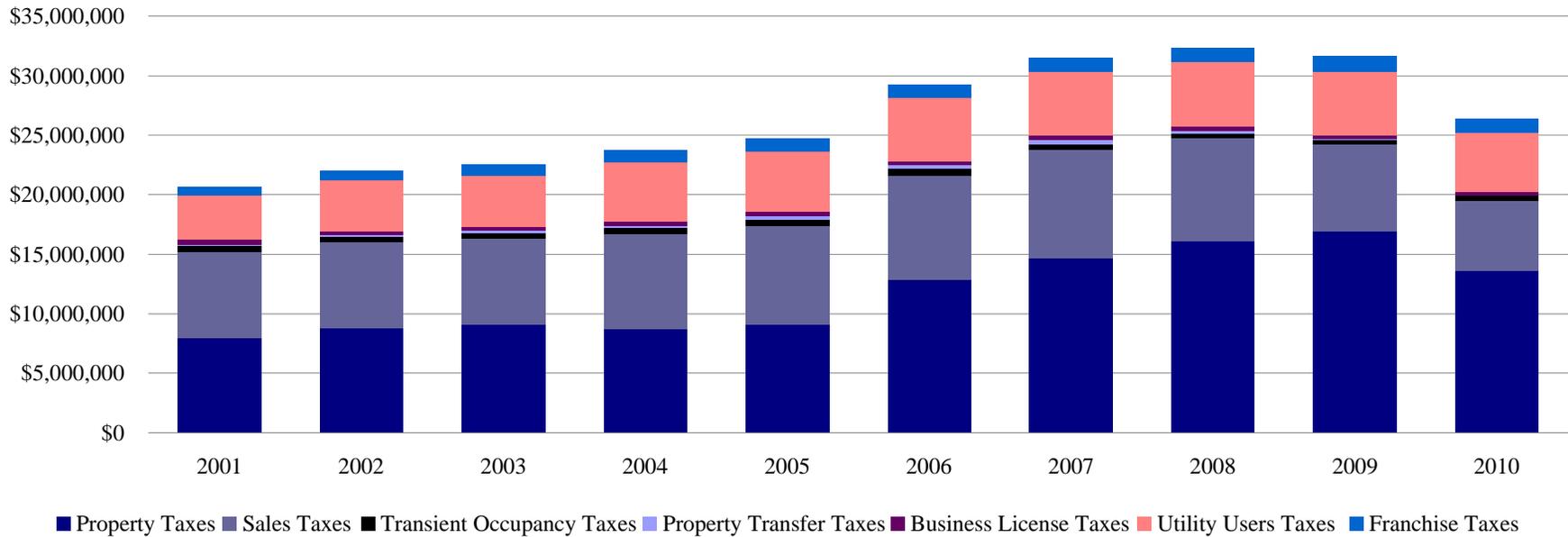
(Continued)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Other financing sources (uses)										
Transfers in	\$ 1,758,824	\$ 380,635	\$ 2,626,130	\$ 4,401,386	\$ 530,984	\$ 1,222,967	\$ 1,433,178	\$ 416,390	\$ 1,103,318	\$ 5,508,798
Transfers out	(1,811,064)	(380,635)	(2,626,130)	(4,496,216)	(530,984)	(1,222,967)	(1,433,178)	(416,390)	(1,057,405)	(10,332,955)
Capital leases	172,442	-	-	-	-	-	-	-	-	486,788
Loan Proceeds	-	-	-	-	-	-	-	-	-	2,310,000
Tax allocation bonds issued	-	10,262,262	-	-	26,850,000	-	-	-	-	-
Revenue bonds issued	-	-	-	-	3,725,000	-	-	-	-	-
Premium on bond debt	-	3,685	-	-	1,141,939	-	-	-	-	-
Notes issued	-	-	-	500,000	-	-	-	-	-	-
Payment to refunded bond account	-	-	-	-	(17,117,668)	-	-	-	-	-
Gain (loss) on sale and disposal of capital assets	122,755	-	-	-	-	(97,202)	(445,834)	-	-	-
Total other financing sources (uses)	242,957	10,265,947	-	405,170	14,599,271	(97,202)	(445,834)	-	45,913	(2,027,369)
Net changes in fund balances	\$ 7,483,765	\$ 12,900,249	\$ (703,101)	\$ (1,344,654)	\$ 8,346,012	\$ 6,218,615	\$ 1,709,196	\$ 1,220,970	\$ 19,443	\$ (10,400,931)
 Debt service as a percentage of noncapital expenditures	 11.2%	 12.6%	 11.1%	 11.6%	 19.9%	 13.6%	 11.5%	 11.6%	 11.9%	 16.8%



CITY OF COVINA, CALIFORNIA
 General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

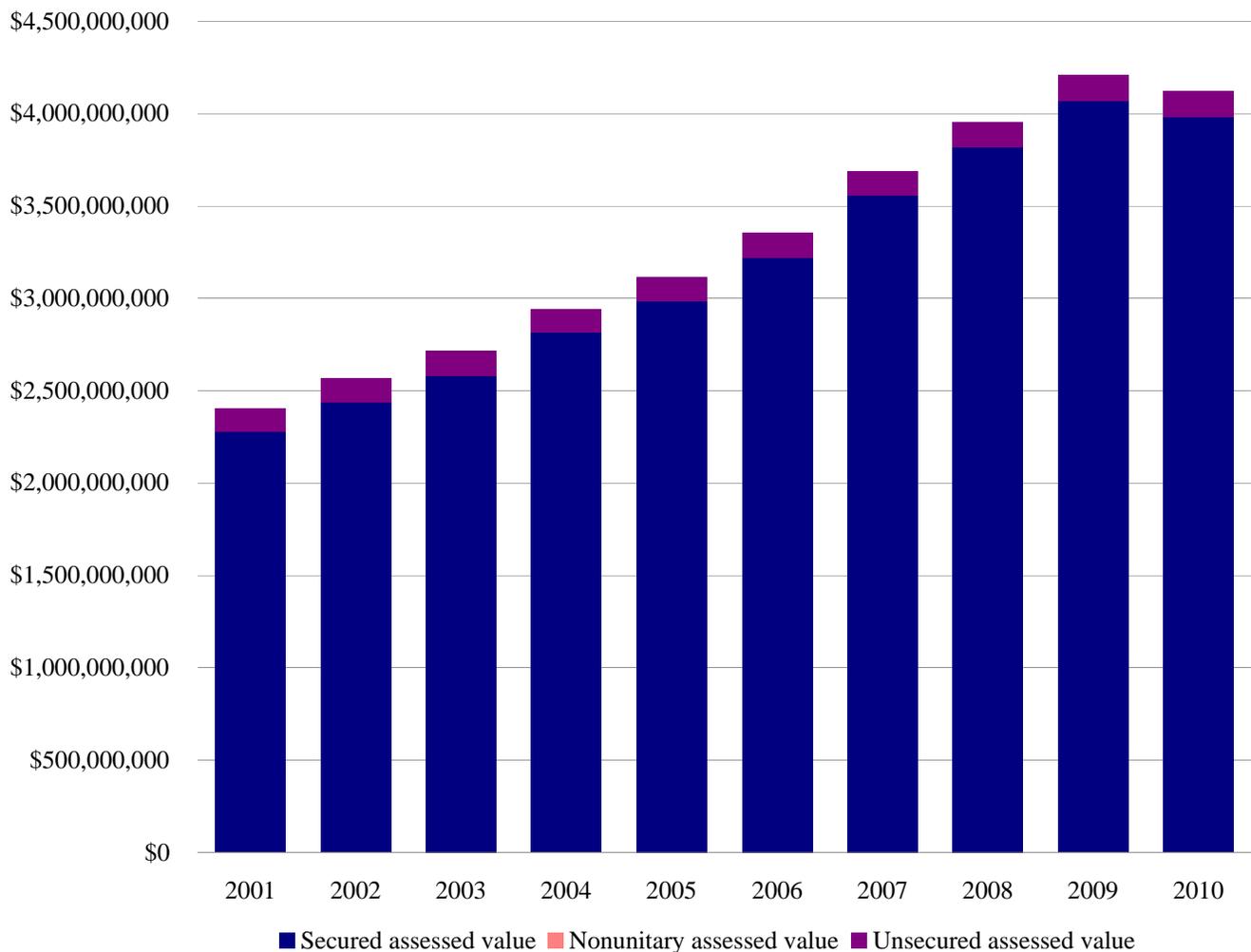
Fiscal Year	Property Taxes ⁽¹⁾	Sales Taxes	Transient Occupancy Taxes	Property Transfer Taxes	Business License Taxes	Utility Users Taxes	Franchise Taxes	Total
2001	7,942,478	7,237,890	485,115	161,482	351,109	3,802,354	714,856	20,695,284
2002	8,846,245	7,150,926	426,572	163,780	317,044	4,279,152	795,374	21,979,093
2003	9,066,253	7,290,885	424,727	177,504	324,899	4,311,903	965,402	22,561,573
2004	8,693,770	8,053,254	449,872	223,353	385,820	4,887,082	1,031,016	23,724,167
2005	9,041,899	8,347,572	484,621	307,612	418,336	5,032,784	1,028,228	24,661,052
2006	12,803,622	8,774,728	578,418	296,459	360,265	5,329,099	1,098,988	29,241,579
2007	14,725,235	9,035,103	491,226	324,113	383,254	5,395,617	1,187,401	31,541,949
2008	16,124,178	8,633,461	423,861	158,340	395,503	5,433,339	1,191,560	32,360,242
2009	16,920,696	7,306,177	340,175	113,113	349,109	5,274,912	1,314,360	31,618,542
2010	13,618,538	5,914,184	356,027	133,114	368,913	4,977,443	1,148,788	26,517,007



⁽¹⁾ Includes both City property tax and Redevelopment Agency tax allocations. Property tax in-lieu motor vehicle licenses are not included in amounts prior to fiscal year 2006.

CITY OF COVINA, CALIFORNIA
Assessed Value of Taxable Property
Last Ten Fiscal Years

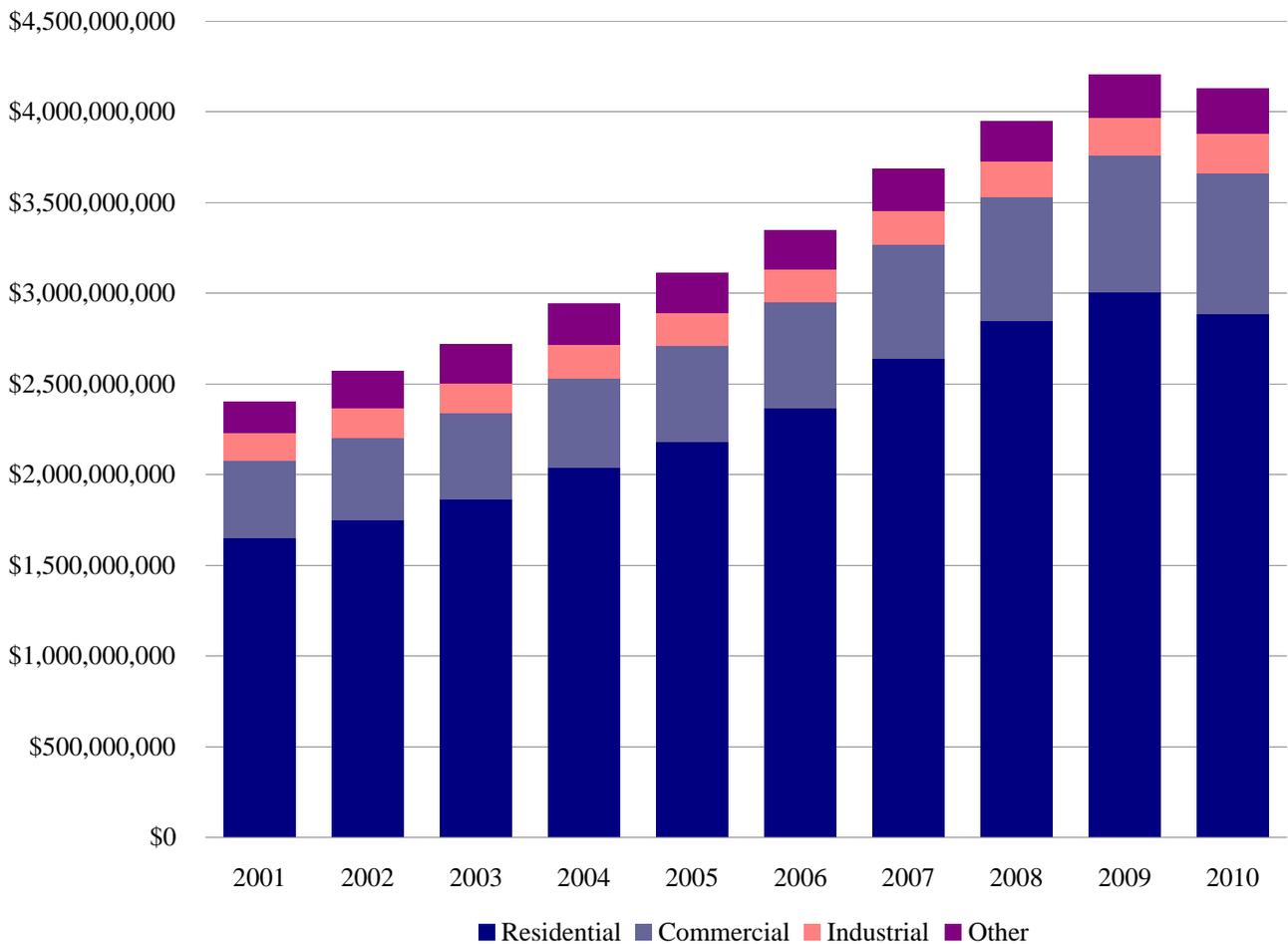
Fiscal Year	Assessed Value ⁽¹⁾				Total Direct Rate
	Secured	Nonunitary	Unsecured	Total	
2001	2,274,365,467	1,143,542	126,431,976	2,401,940,985	0.32136%
2002	2,436,925,925	1,164,338	131,187,913	2,569,278,176	0.32477%
2003	2,578,946,079	1,155,401	135,690,684	2,715,792,164	0.32407%
2004	2,811,124,444	1,341,807	127,121,867	2,939,588,118	0.31334%
2005	2,981,472,508	1,173,835	131,297,709	3,113,944,052	0.30933%
2006	3,216,896,758	689,018	132,900,062	3,350,485,838	0.30800%
2007	3,553,763,633	634,373	130,918,125	3,685,316,131	0.30936%
2008	3,815,860,520	381,710	134,528,469	3,950,770,699	0.31151%
2009	4,068,752,819	381,710	138,563,298	4,207,697,827	0.32372%
2010	3,981,772,274	381,710	142,877,822	4,125,031,806	0.32518%



⁽¹⁾ Net of exemptions

CITY OF COVINA, CALIFORNIA
Assessed Value of Taxable Property by Use
Last Ten Fiscal Years

Fiscal Year	Assessed Value ⁽¹⁾				Total	Total Direct Rate
	Residential	Commercial	Industrial	Other		
2001	1,650,169,306	425,756,702	156,373,309	169,641,668	2,401,940,985	0.32136%
2002	1,749,015,590	453,874,642	163,818,342	202,569,602	2,569,278,176	0.32477%
2003	1,864,162,218	469,980,635	168,547,933	213,101,378	2,715,792,164	0.32407%
2004	2,033,624,138	498,130,278	181,385,545	226,448,157	2,939,588,118	0.31334%
2005	2,182,822,457	527,513,453	182,617,583	220,990,559	3,113,944,052	0.30933%
2006	2,368,068,940	578,638,505	187,206,489	216,571,904	3,350,485,838	0.30800%
2007	2,640,273,200	625,389,836	190,387,266	229,265,829	3,685,316,131	0.30936%
2008	2,851,328,670	675,399,224	201,466,528	222,576,277	3,950,770,699	0.31151%
2009	3,005,135,149	752,579,095	209,086,234	240,897,349	4,207,697,827	0.32372%
2010	2,887,006,374	774,649,712	215,229,621	248,146,099	4,125,031,806	0.32518%

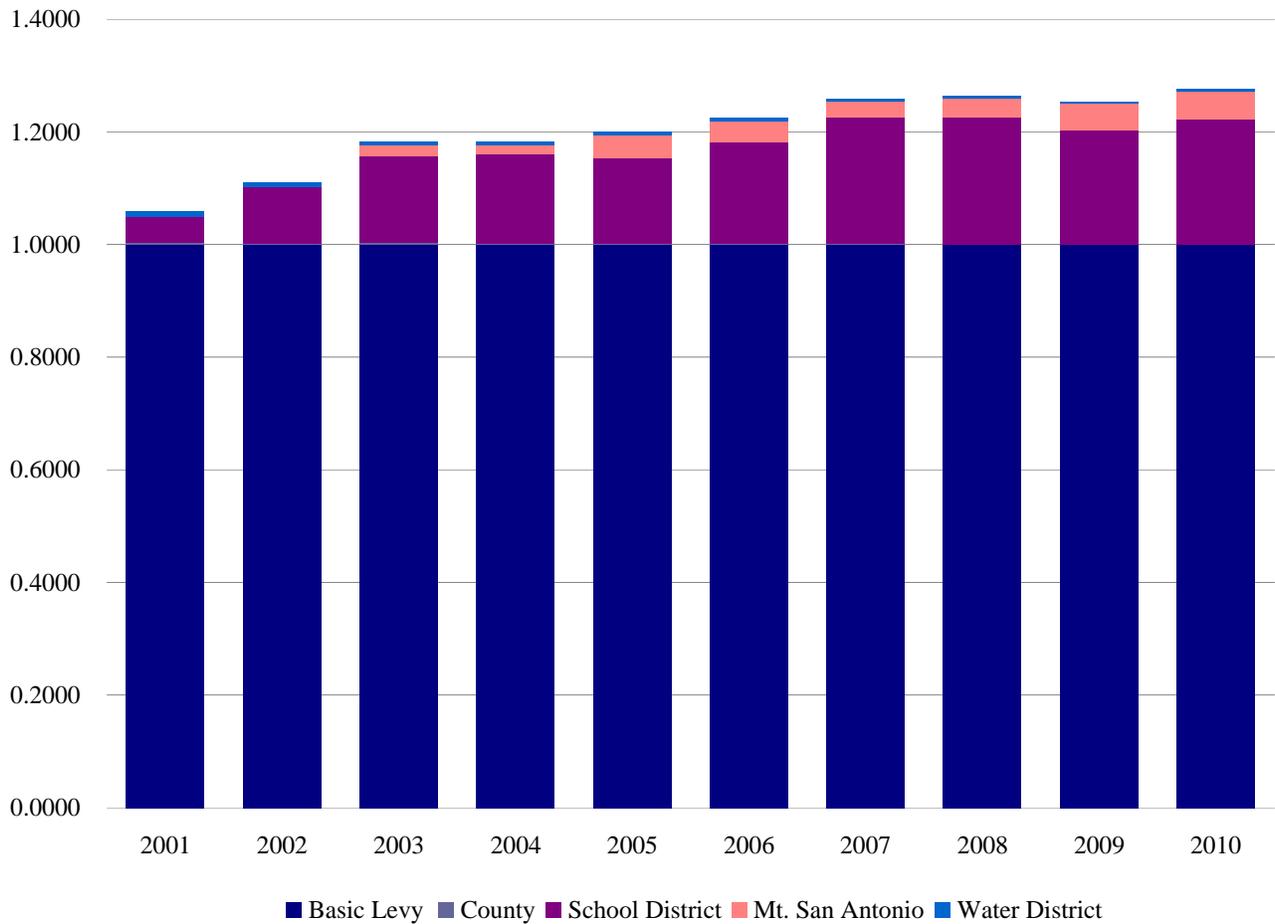


⁽¹⁾ Net of exemptions

Source: Los Angeles County/Hdl Companies

CITY OF COVINA, CALIFORNIA
Property Tax Rates⁽¹⁾
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Basic Levy ⁽²⁾	County			School District ⁽³⁾	Community		Total
		General	Flood Control	Total		College District ⁽⁴⁾	Water District	
2001	1.0000	0.0013	0.0016	0.0029	0.0472	0.0000	0.0088	1.0589
2002	1.0000	0.0011	0.0011	0.0022	0.0995	0.0000	0.0077	1.1094
2003	1.0000	0.0010	0.0009	0.0019	0.1550	0.0195	0.0067	1.1830
2004	1.0000	0.0010	0.0005	0.0015	0.1589	0.0153	0.0061	1.1817
2005	1.0000	0.0009	0.0002	0.0011	0.1525	0.0406	0.0058	1.2000
2006	1.0000	0.0008	0.0001	0.0009	0.1795	0.0389	0.0052	1.2244
2007	1.0000	0.0007	0.0001	0.0008	0.2249	0.0289	0.0047	1.2592
2008	1.0000	0.0000	0.0000	0.0000	0.2262	0.0336	0.0045	1.2643
2009	1.0000	0.0000	0.0000	0.0000	0.2027	0.0477	0.0043	1.2547
2010	1.0000	0.0000	0.0000	0.0000	0.2230	0.0497	0.0043	1.2769



⁽¹⁾ Per \$100 of assessed value

⁽²⁾ Basic levy for City (\$0.154), County (\$0.338), Covina Valley Unified School District (\$0.184), Educational Revenue Augmentation Fund (\$0.171) and other agencies (\$0.153).

⁽³⁾ Azusa Unified School District, Charter Oak Unified School District and Covina Valley Unified School District

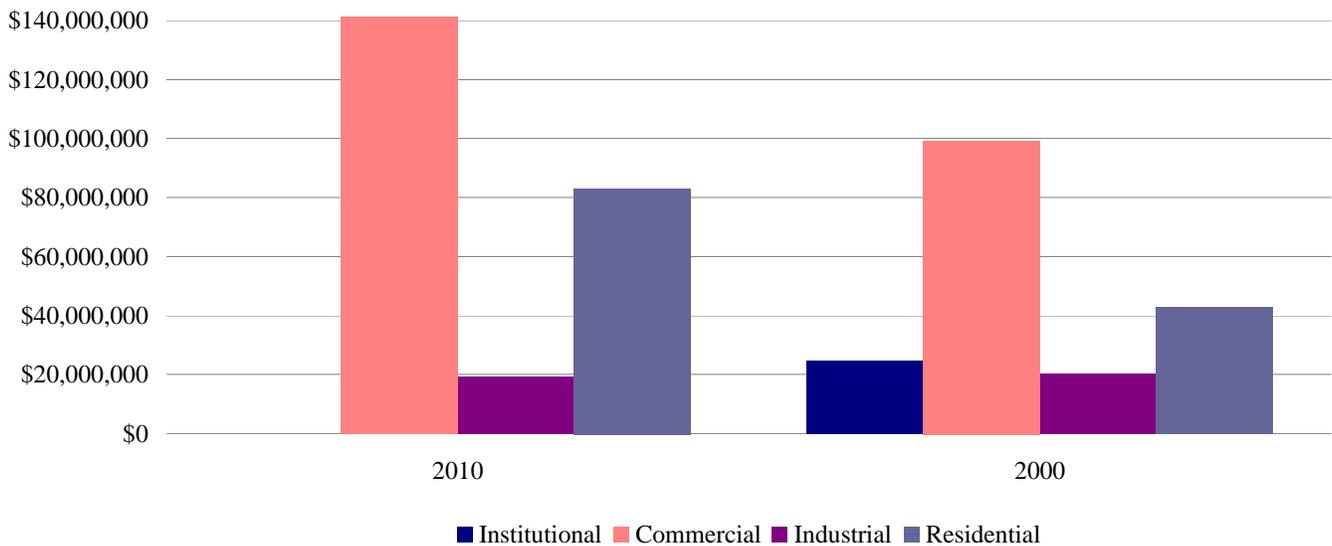
⁽⁴⁾ Citrus Community College District and Mt. San Antonio Community College District

Source: Los Angeles County/Hdl Companies

CITY OF COVINA, CALIFORNIA
Principal Property Owners
June 30, 2010

Taxpayer	Primary Use	2010			2000		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾
Ikea California LLC	Commercial	\$ 55,874,233	1	1.35%	\$ -	-	-
Vista Pointe Apartments LLC	Residential	43,586,398	2	1.06%	-	-	-
PPC Covina Apartments LLC	Residential	39,559,750	3	0.96%	-	-	-
KIR Covina Limited Partnership	Commercial	37,218,156	4	0.90%	-	-	-
UIMC Covina LLC	Commercial	32,436,000	5	0.79%	-	-	-
FNL of Covina Partners LLC	Commercial	27,200,000	6	0.66%	-	-	-
Spirit SPE Covina LLC	Commercial	24,800,000	7	0.60%	-	-	-
Brisam Covina LLC	Commercial	20,700,000	8	0.50%	-	-	-
New Albertsons Inc	Commercial	19,849,916	9	0.48%	-	-	-
Medsep Corporation	Industrial	19,201,862	10	0.47%	20,047,694	3	0.88%
Alexander Haagen Properties	Commercial	-	-	-	39,146,749	1	1.72%
Citrus Valley Health Partners Inc.	Institutional	-	-	-	24,512,699	2	1.08%
Coastal Shadowhills LLC	Residential	-	-	-	18,939,570	4	0.83%
Am Mark Label Inc.	Commercial	-	-	-	18,361,836	5	0.81%
Granada Covina Racquet Club	Commercial	-	-	-	15,501,284	6	0.68%
Wal Mart Stores Inc	Commercial	-	-	-	13,637,314	7	0.60%
J Fanti Company Tr, Et. Al.	Residential	-	-	-	12,834,297	8	0.56%
Albertsons Inc.	Commercial	-	-	-	12,536,233	9	0.55%
Covina Gardens LLC	Residential	-	-	-	11,200,411	10	0.49%
Total		\$ 320,426,315		7.77%	\$ 186,718,087		8.21%

Principal Property Owners

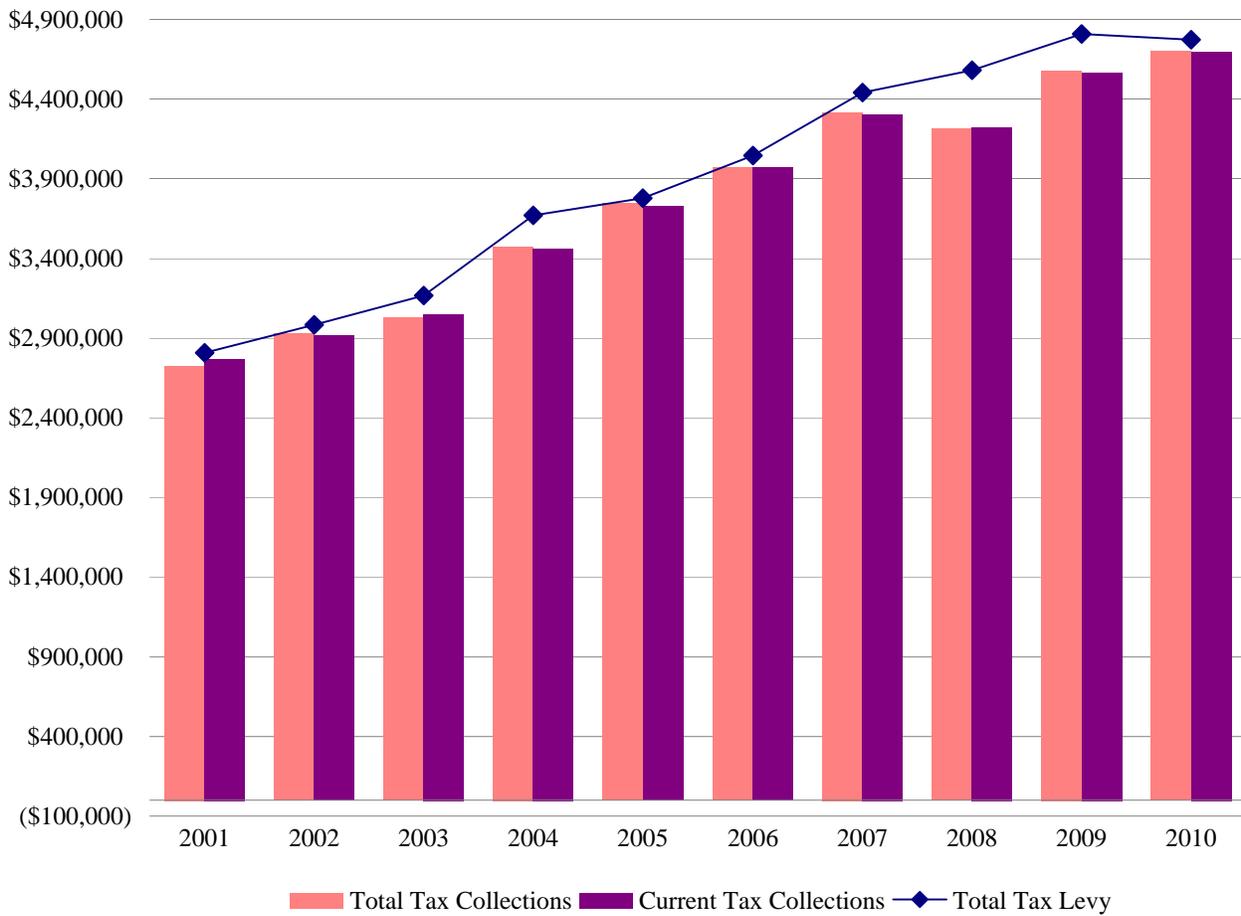


⁽¹⁾ Total assessed valuation of taxable property exclusive of exemptions

Source: Los Angeles County/Hdl Companies

CITY OF COVINA, CALIFORNIA
Property Tax Levies and Collections⁽¹⁾
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy ⁽²⁾	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Total Tax Levy
2001	2,806,479	2,767,589	98.6%	(42,922)	2,724,667	97.1%
2002	2,984,786	2,914,015	97.6%	14,073	2,928,088	98.1%
2003	3,166,766	3,052,281	96.4%	(25,212)	3,027,069	95.6%
2004	3,671,615	3,463,795	94.3%	12,253	3,476,048	94.7%
2005	3,777,764	3,725,369	98.6%	19,890	3,745,259	99.1%
2006	4,044,043	3,968,302	98.1%	-	3,968,302	98.1%
2007	4,439,472	4,306,933	97.0%	8,432	4,315,365	97.2%
2008	4,578,890	4,221,702	92.2%	(7,129)	4,214,573	92.0%
2009	4,808,286	4,566,246	95.0%	8,333	4,574,579	95.1%
2010	4,772,267	4,694,992	98.4%	6,766	4,701,758	98.5%



⁽¹⁾ Includes only City general property taxes of the General Fund and Municipal Parking District Special Revenue Fund

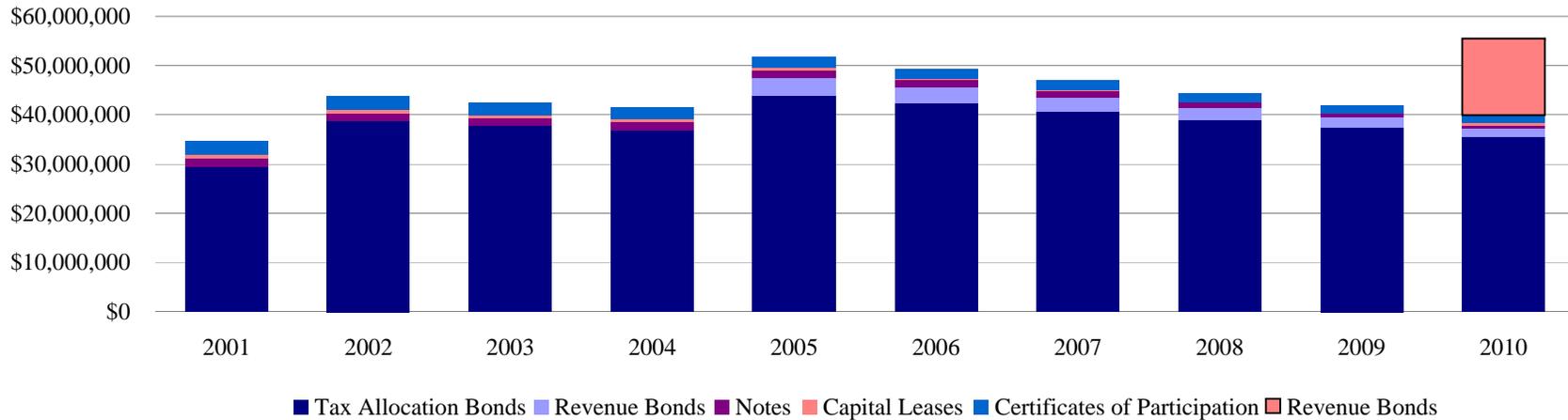
⁽²⁾ Includes secured and unsecured property tax levies exclusive of homeowner exemption, supplemental roll and in-lieu motor vehicle licenses.

Source: Los Angeles County

CITY OF COVINA, CALIFORNIA
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business Activities		Total	Percentage of Personal Income ⁽¹⁾	Percentage of Debt Per Capita ⁽¹⁾
	Tax Allocation Bonds	Revenue Bonds	Notes	Capital Leases	Certificates of Participation	Revenue Bonds			
2001	29,445,000	-	1,661,555	814,708	2,800,000	-	\$ 34,721,263	0.85%	0.14%
2002	38,722,262	-	1,578,207	711,717	2,675,000	-	43,687,186	0.69%	0.11%
2003	37,816,561	-	1,480,689	636,796	2,545,000	-	42,479,046	0.73%	0.11%
2004	36,800,522	-	1,821,000	557,697	2,410,000	-	41,589,219	0.78%	0.12%
2005	43,897,627	3,510,000	1,612,139	473,805	2,265,000	-	51,758,571	0.67%	0.10%
2006	42,381,251	3,190,000	1,394,483	386,405	2,120,000	-	49,472,139	0.75%	0.10%
2007	40,692,251	2,855,000	1,187,398	286,687	1,965,000	-	46,986,336	0.83%	0.11%
2008	39,001,900	2,505,000	951,988	194,637	1,805,000	-	44,458,525	0.93%	0.11%
2009	37,309,792	2,135,000	761,693	81,974	1,640,000	-	41,928,459	*	0.12%
2010	35,468,251	1,750,000	656,516	403,320	1,470,000	15,750,000	55,498,087	*	0.09%

Outstanding Debt by Type-Last Ten Fiscal Years



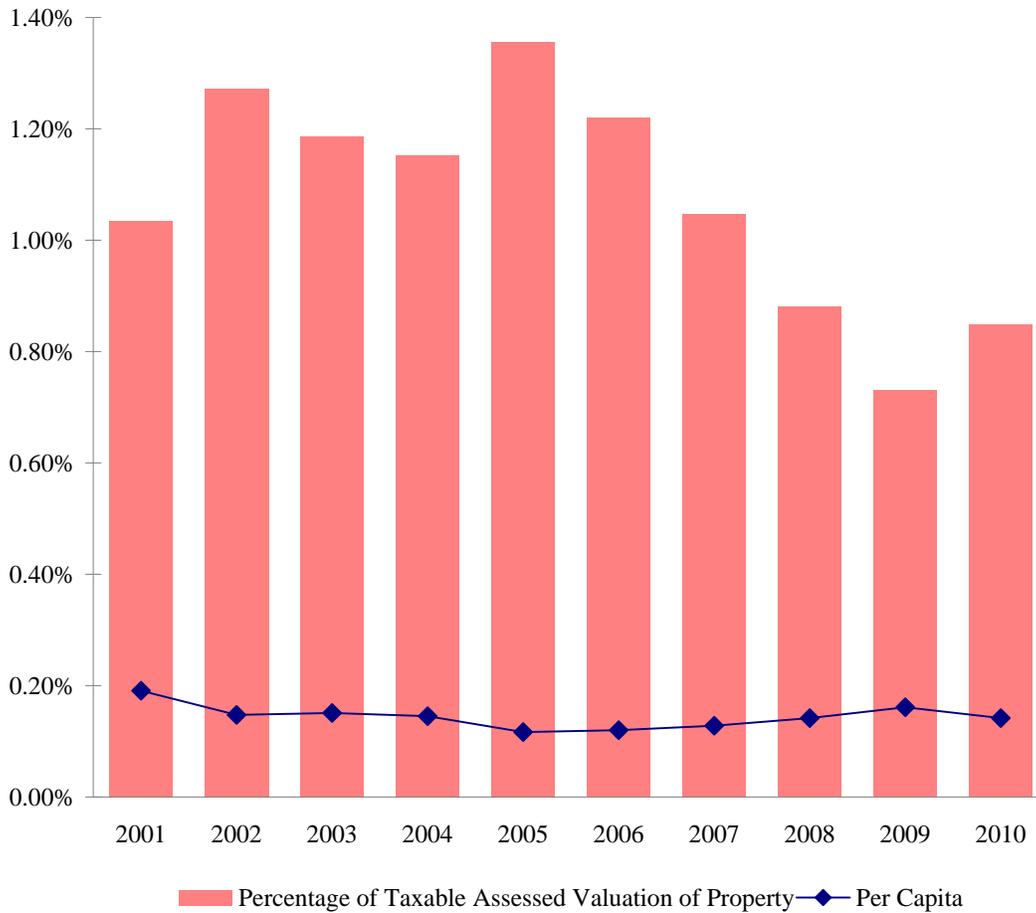
Note: Details regarding the City's outstanding debt can be found in the *notes to the financial statements*.

⁽¹⁾ See Demographic Statistics on page 133.

* Information not available

CITY OF COVINA, CALIFORNIA
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Tax Allocation Bonds	Less Amounts Available in Debt		Total	Percentage of Taxable Assessed Valuation ⁽¹⁾ of Property	Per Capita ⁽²⁾
			Service Fund			
2001	29,445,000		4,604,978	24,840,022	1.03%	0.19%
2002	38,722,262		6,040,554	32,681,708	1.27%	0.15%
2003	37,816,561		5,600,545	32,216,016	1.19%	0.15%
2004	36,800,522		2,952,367	33,848,155	1.15%	0.14%
2005	43,897,627		1,685,302	42,212,325	1.36%	0.12%
2006	42,381,251		1,512,494	40,868,757	1.22%	0.12%
2007	40,692,251		2,121,446	38,570,805	1.05%	0.13%
2008	39,001,900		4,243,226	34,758,674	0.88%	0.14%
2009	37,309,792		6,584,875	30,724,917	0.73%	0.16%
2010	35,468,251		505,354	34,962,897	0.85%	0.14%



Note: Details regarding the City's outstanding debt can be found in the *notes to the financial statements*.

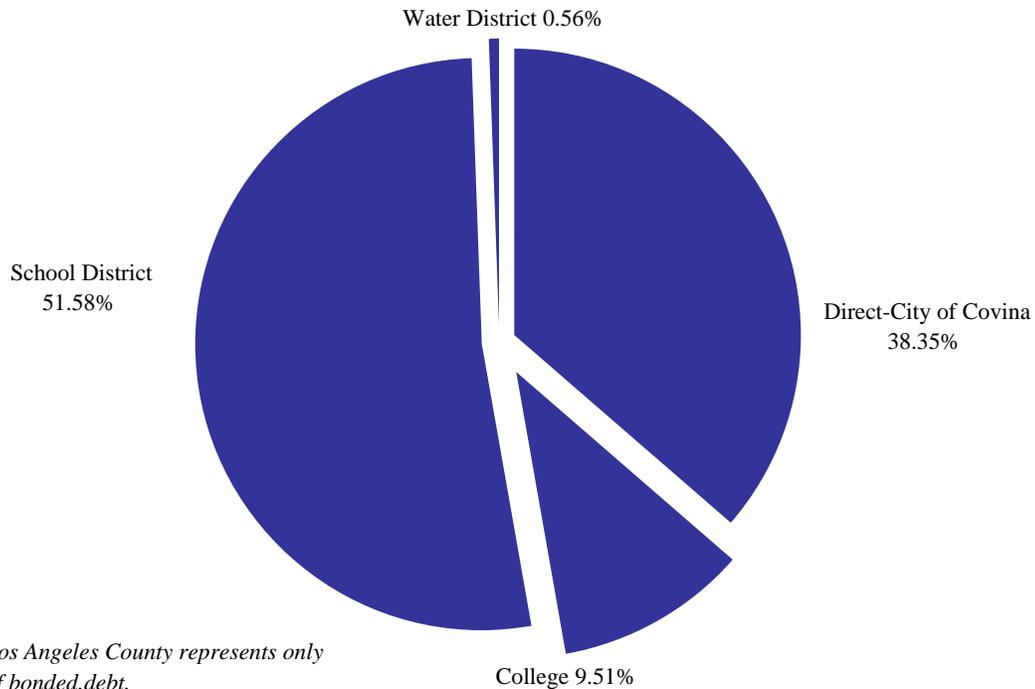
⁽¹⁾ See Assessed Value of Taxable Property-Last Ten Fiscal Years on page 122

⁽²⁾ See Demographic Statistics on page 133.

CITY OF COVINA, CALIFORNIA
Direct and Overlapping Governmental Activities Bonded Debt
As of June 30, 2010

Jurisdiction	Net General Activities Bonded Debt Outstanding	Percentage Applicable to City of Covina	Amount Applicable to City of Covina
Direct-City of Covina ⁽¹⁾	\$ 37,218,251	100.000%	\$ 37,218,251
Overlapping:			
Water District:			
Metropolitan Water District Area 1112	121,475,156	0.379%	460,391
College:			
Citrus-2004 Series A Debt Service	15,685,000	0.420%	65,877
Citrus-2007 Series B Debt Service	37,140,000	0.420%	155,988
Citrus-2004 2009 Series C Debt Service	29,995,302	0.420%	125,980
Mt. San Antonio-2001 Series A Debt Service	2,250,000	6.009%	135,203
Mt. San Antonio-2004 Series B Debt Service	9,870,000	6.009%	593,088
Mt. San Antonio-2005 Refunding Bond	61,525,843	6.009%	3,697,088
Mt. San Antonio-2006 Series C Debt Service	79,695,008	6.009%	4,788,873
Mt. San Antonio-2008 Series D Debt Service	25,430,293	6.009%	1,528,106
School District:			
Azusa Unified 2002 Series A Bonds Debt Service	24,868,763	1.640%	407,848
Azusa Unified 2002 Series 2007 Bonds Debt Service	45,001,000	1.646%	740,716
Charter Oak Unified 2000 Series A Debt Service	65,000	37.469%	24,355
Charter Oak Unified 2000 Series B Debt Service	1,015,000	37.469%	380,310
Charter Oak Unified 2005 Debt Service Series C	8,570,000	37.469%	3,211,093
Charter Oak Unified 2006 Series D Debt Service	9,939,195	37.469%	3,724,117
Charter Oak Unified 2006 Series E Debt Service	5,520,335	37.469%	2,068,414
Covina Valley Unified 2001 Series A Debt Service	15,055,000	42.284%	6,365,856
Covina Valley Unified 2001 Series B Debt Service	22,504,403	42.284%	9,515,762
Covina Valley Unified 2006 Debt Service	45,290,000	42.284%	19,150,424
Covina Valley Unified 2007 Series B Debt Service	18,083,829	42.284%	7,646,566
Total direct and overlapping debt			<u>\$ 102,004,307</u>

Amount Applicable to City of Covina

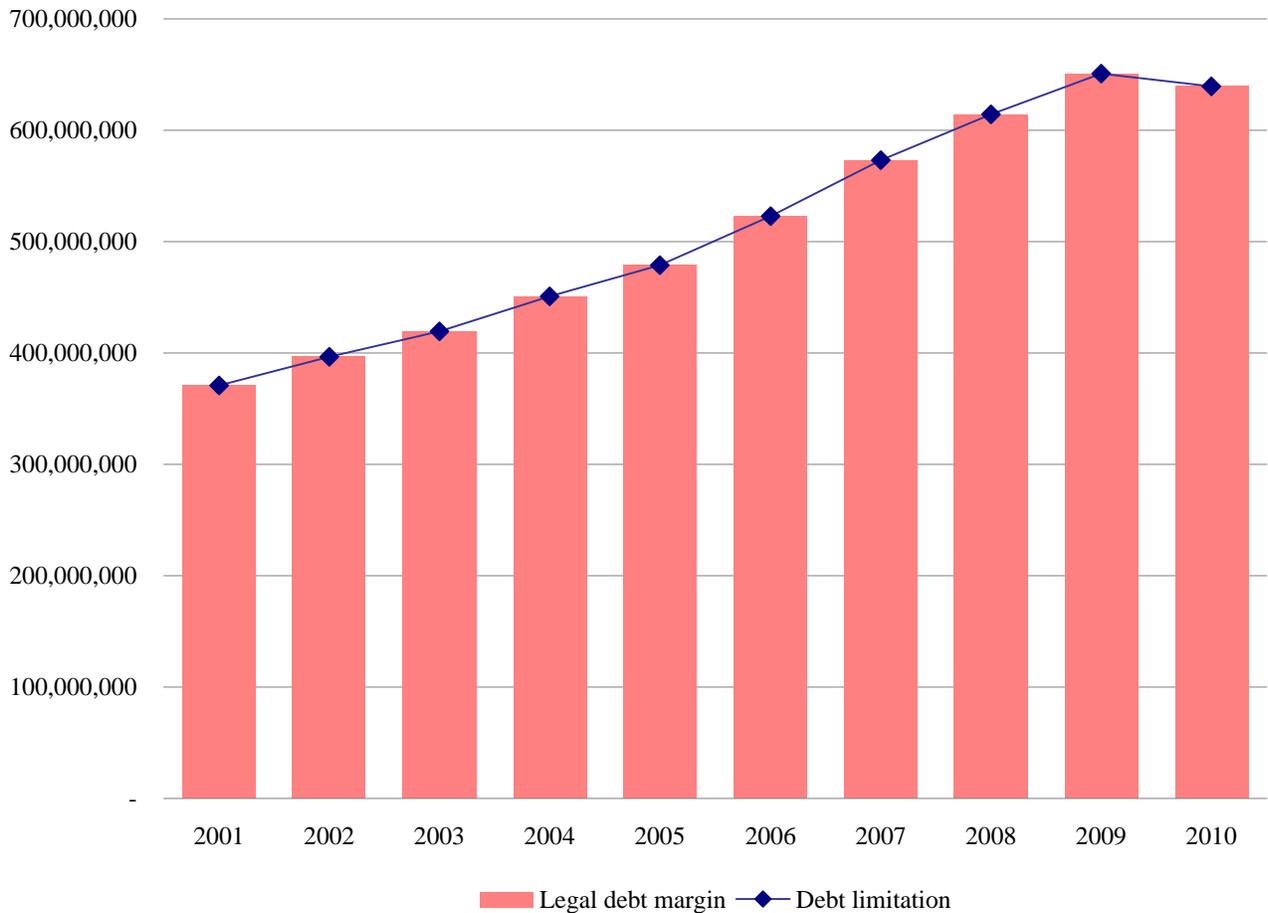


NOTE: Los Angeles County represents only 0.001% of bonded debt.

⁽¹⁾ Includes governmental activities debt reported in the Ratios of Outstanding Debt by Type on page 127.

CITY OF COVINA, CALIFORNIA
 Legal Debt Margin Information
 Last Ten Fiscal Years

Fiscal Year	Assessed Valuations			Legal Debt Margin		
	Assessed Value	Add Exemptions	Total Assessed Value	Debt Limitation-15% of Total Assessed Value	Total Debt Applicable to Limitation	Legal Debt Margin
2001	2,401,940,985	71,592,181	2,473,533,166	371,029,975	-	371,029,975
2002	2,569,278,176	74,585,939	2,643,864,115	396,579,617	-	396,579,617
2003	2,715,792,164	78,627,437	2,794,419,601	419,162,940	-	419,162,940
2004	2,939,588,118	66,744,821	3,006,332,939	450,949,941	-	450,949,941
2005	3,113,944,052	79,029,647	3,192,973,699	478,946,055	-	478,946,055
2006	3,350,485,838	133,793,779	3,484,279,617	522,641,943	-	522,641,943
2007	3,685,316,131	135,164,362	3,820,480,493	573,072,074	-	573,072,074
2008	3,950,770,699	144,927,903	4,095,698,602	614,354,790	-	614,354,790
2009	4,207,697,827	129,666,573	4,337,364,400	650,604,660	-	650,604,660
2010	4,125,031,806	138,099,508	4,263,131,314	639,469,697	-	639,469,697



CITY OF COVINA, CALIFORNIA
Pledged-Revenue Bond Coverage
Water Utility Fund Certificates of Participation
Last Ten Fiscal Years

Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2001	4,432,185	2,937,946	1,494,239	125,000	137,310	262,310	5.70
2002	4,752,183	3,338,198	1,413,985	125,000	132,623	257,623	5.49
2003	4,354,917	4,143,789	211,128	135,000	127,586	262,586	0.80
2004	5,238,474	3,509,173	1,729,301	145,000	122,218	267,218	6.47
2005	5,118,717	3,448,245	1,670,472	145,000	116,045	261,045	6.40
2006	5,339,489	4,416,669	922,820	145,000	110,243	255,243	3.62
2007	5,649,525	4,169,737	1,479,788	155,000	103,716	258,716	5.72
2008	6,286,464	5,154,512	1,131,952	160,000	115,662	275,662	4.11
2009	5,544,739	4,225,309	1,319,430	165,000	89,148	254,148	5.19
2010	6,680,855	4,887,609	1,793,246	170,000	81,190	251,190	7.14

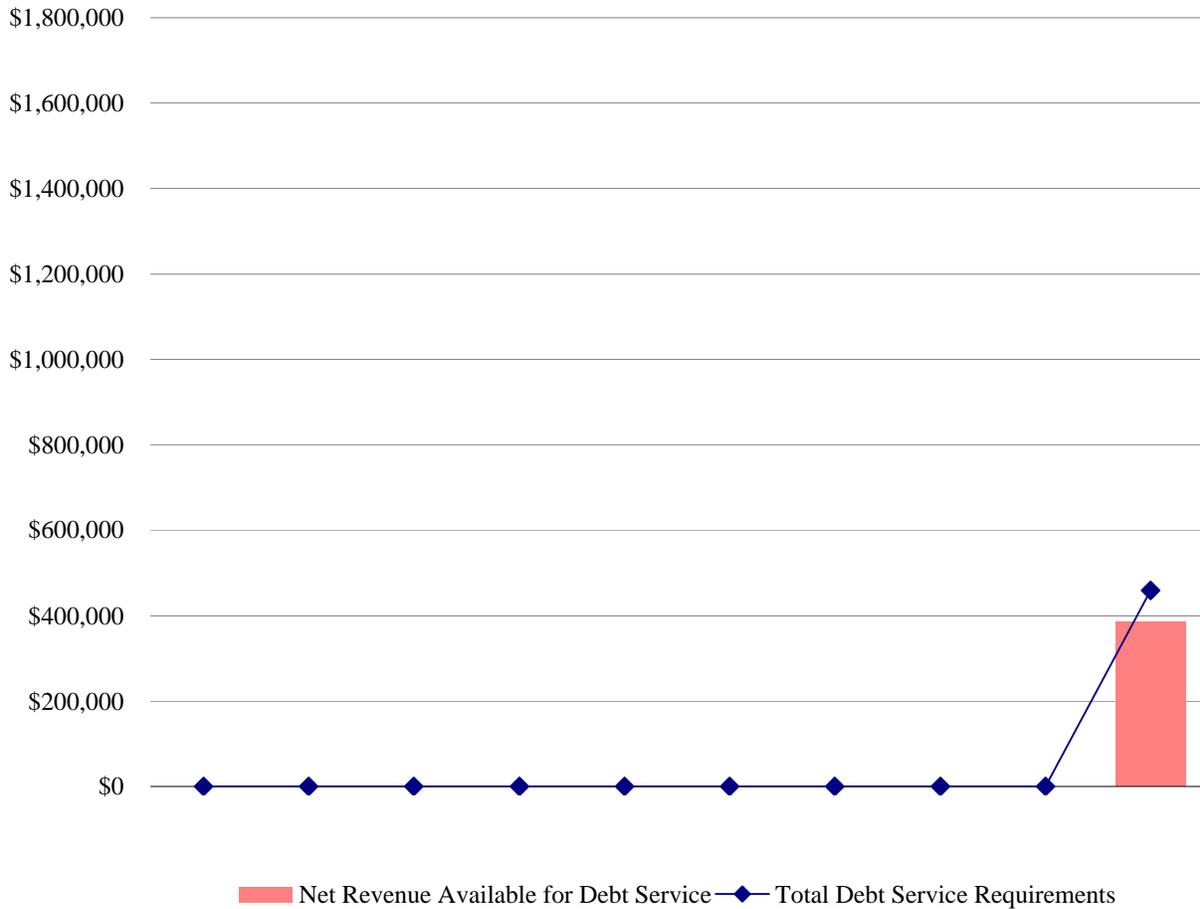


⁽¹⁾ Total revenues (including investment earnings) excluding joint venture investment income and gain on sale of capital assets.

⁽²⁾ Total operating expenses exclusive of depreciation

CITY OF COVINA, CALIFORNIA
Pledged-Revenue Bond Coverage
Sewer Fund Revenue Bonds
Last Ten Fiscal Years

Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2001	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-
2010	1,073,901	688,638	385,263	-	459,193	459,193	0.84



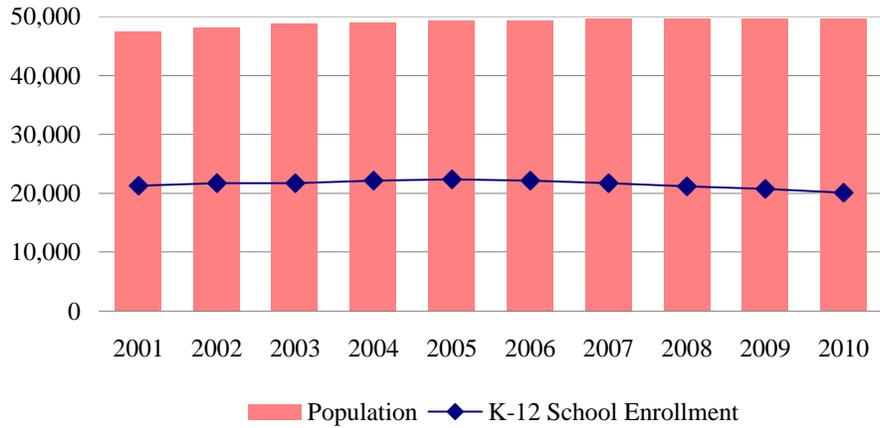
⁽¹⁾ Total revenues (including investment earnings) excluding gain on sale of capital assets

⁽²⁾ Total operating expenses exclusive of depreciation

CITY OF COVINA, CALIFORNIA
Demographic and Economic Statistics

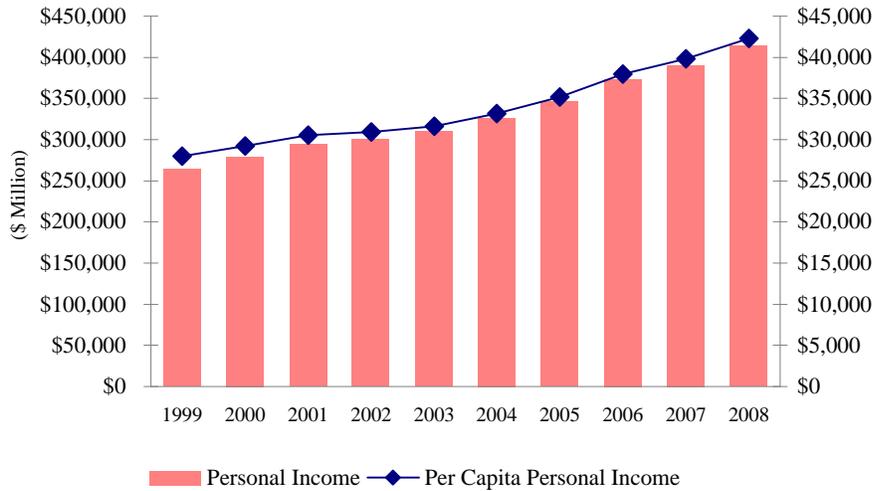
Last Ten Fiscal Years

Year	Population ⁽¹⁾	K-12 School Enrollment ⁽²⁾
2001	47,417	21,299
2002	48,114	21,670
2003	48,712	21,744
2004	49,123	22,145
2005	49,565	22,316
2006	49,378	22,144
2007	49,720	21,689
2008	49,552	21,147
2009	49,541	20,688
2010	49,622	20,123



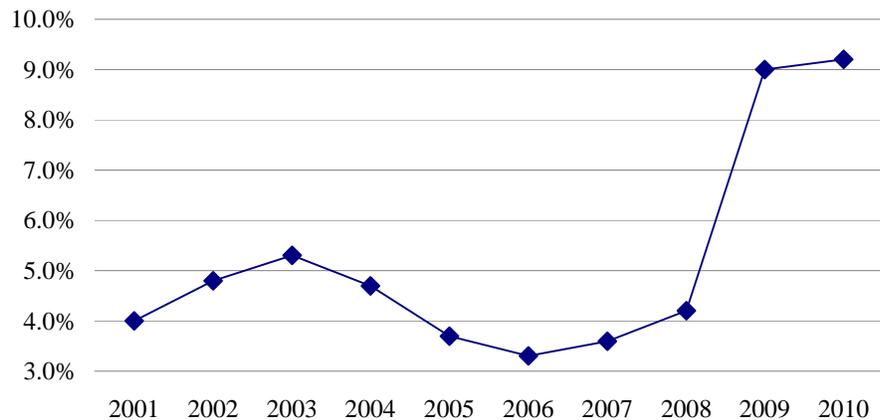
Fiscal Years 1999-2008

Year	Los Angeles County ⁽³⁾	
	Personal Income (\$ Million)	Per Capita Personal Income
1999	263,987	27,973
2000	279,050	29,238
2001	294,508	30,541
2002	301,003	30,924
2003	309,827	31,611
2004	326,403	33,167
2005	346,053	35,147
2006	373,322	37,991
2007	390,296	39,794
2008	413,317	42,265



Last Ten Fiscal Years

Year	Unemployment Rate ⁽⁴⁾
2001	4.0%
2002	4.8%
2003	5.3%
2004	4.7%
2005	3.7%
2006	3.3%
2007	3.6%
2008	4.2%
2009	9.0%
2010	9.2%



⁽¹⁾ State Department of Finance.

⁽²⁾ State Department of Education-Covina Valley and Charter Oak Unified School Districts

⁽³⁾ U.S. Department of Commerce-Bureau of Economic Analysis

⁽⁴⁾ State Employment Development Department

CITY OF COVINA, CALIFORNIA

Principal Employers ⁽¹⁾

As of June 30, 2010

Employer	2010			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Covina Valley Unified School District	1,650	1	13.96%	2,494	1	15.91%
Citrus Valley Medical Center	951	2	8.05%	845	2	5.39%
Charter Oak Unified School District	556	3	4.70%	249	4	1.59%
Wal-Mart	286	4	2.42%	205	10	1.31%
Magan Medical Clinic	270	5	2.28%	277	5	1.77%
City of Covina	263	6	2.23%	307	3	1.96%
Pall Medical	199	7	1.68%	241	7	1.54%
Vitas Healthcare Corporation	195	8	1.65%	218	8	1.39%
Med Legal Inc	192	9	1.62%			
Ikea California LLC	186	10	1.57%			
Bert's Mega Mall	-	-	0.00%	249	6	1.59%
Land America Tax & Flood Services	-	-	0.00%	206	9	1.31%
	<u>4,748</u>		<u>40.17%</u>	<u>5,291</u>		<u>33.76%</u>

⁽¹⁾ No principal employer information available prior to 2006.

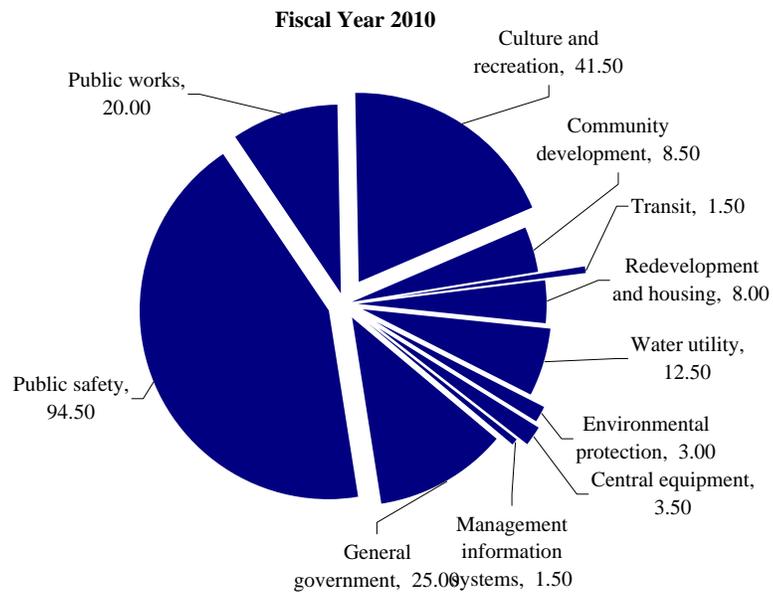
Source: City of Covina Finance Department, Covina Valley and Charter Oak School Districts and Citrus Valley Medical Center.

CITY OF COVINA, CALIFORNIA
 Full-time Equivalent City Government Employees by Function⁽¹⁾
 Last Five Fiscal Years

	2006	2007	2008	2009	2010
	Total	Total	Total	Total	Total
General government	22.31	21.06	21.06	30.00	25.00
Public safety	100.50	101.00	101.00	104.00	94.50
Public works	18.00	18.00	17.00	22.00	20.00
Culture and recreation	45.54	43.88	43.88	65.00	41.50
Community development	15.95	15.95	15.95	17.00	8.50
Transit	1.35	1.50	1.50	2.00	1.50
Redevelopment and housing	3.50	3.50	3.50	7.00	8.00
Water utility	13.25	13.25	13.25	11.00	12.50
Environmental protection	3.75	3.75	3.75	3.00	3.00
Central equipment	3.50	4.00	4.00	3.00	3.50
Management information systems	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>4.00</u>	<u>1.50</u>
Total full-time equivalent positions	<u>230.65</u>	<u>228.89</u>	<u>227.89</u>	<u>268.00</u>	<u>219.50</u>

(1) No full-time equivalent positions information available prior to 2006.

Source: Finance Department Budget



CITY OF COVINA, CALIFORNIA

Operating Indicators by Function⁽¹⁾

Last five Fiscal Years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public safety					
Police:					
Physical arrests	3,160	3,157	3,265	4,231	3,455
Parking violations	15,537	16,096	13,458	19,893	21,775
Traffic violations	6,976	7,174	6,896	8,091	8,019
Fire:					
Number of calls answered	3,919	3,537	3,951	3,477	3,511
Inspections	2,250	1,512	2,287	2,521	2,630
Culture and recreation					
Parks and recreation:					
Leaders-in-Training participants	61	70	70	70	70
Youth sports participants	2,890	2,390	2,413	2,313	1,093
Leisure lifestyle classes participants	7,900	7,450	7,212	7,946	7,867
Cultural excursion program participants	478	380	347	436	390
Summer evening event attendees	25,950	23,650	10,005	6,013	10,500
Senior service participants	18,060	13,434	14,350	10,836	10,211
Senior nutrition program meals served	15,530	12,300	10,074	12,075	10,871
Special events	53,000	53,000	53,000	28,000	53,200
Aquatic participants	7,780	5,400	4,115	9,630	15,132
Library:					
Reference questions	32,381	31,708	24,999	29,017	30,270
Literacy hours tutored	8,640	15,611	2,448	4,000	3,792
Library materials added	6,102	4,345	4,771	4,183	6,242
Internet service hours	22,804	24,437	20,816	24,424	32,117
Community development					
Planning reviews	336.00	462	359	267	450
Inspections	3,682.00	3,115	4,249	7,378	3,788
Permits issued	443.00	707	790	1,075	946
Transit					
Average daily parking customers (station & structure paid)	765.00	760	823	757	550
Dial-A-Cab participants (monthly average)	1,432.00	1,307	1,111	835	1,000
Subsidized bus passes (monthly average)	75.00	87	143	119	125
Metrolink Shuttle participants (monthly average)	240.00	163	0	0	0
Water utility					
Average daily consumption (gallons)	5,510,880	6,120,192	5,878,647	6,472,445	6,305,734
Meter reads	51,926	50,039	50,509	50,509	50,509
Meter replacements	849	1,053	619	619	619
Consumer responses	2,593	2,889	5,888	5,888	5,888
Service line repairs	99	148	109	109	109
Main line repairs	48	53	72	72	72
Street Maintenance					
Traffic sign remove/replace/install	787	261	229	229	229
Potholes repaired	1,782	1,047	533	533	533
Curb painted (lf)	42,446	20,681	32,704	32,704	32,704
Utility cuts repaired	104	156	116	116	116
Trees trimmed	375	565	294	294	294
Equipment Maintenance					
Preventative maintenance service	359	309	336	336	336
Safety inspections	372	423	445	445	445
Daily demand repairs	993	936	1,045	1,045	1,045
Tire repairs	327	262	234	234	234
Environmental protection					
Refuse collected (tons/month)	2,642	2,680	2,762	3,759	2,700
Recyclables collected (tons/month)	193	202	211	226	290
Green waste collected (tons/month)	546	550	567	579	620
Compressed natural gas sold (gallon equivalents)	25,462	18,542	16,496	19,521	22,318

⁽¹⁾ Information provided by various departments for last four fiscal years. No indicators for general government, public works and redevelopment and housing.

CITY OF COVINA, CALIFORNIA
 Capital Asset Statistics by Function ⁽¹⁾
 Last Five Fiscal Years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General government					
Buildings-civic center	1	1	1	1	1
Public safety					
Police:					
Stations	1	1	1	1	1
Patrol units	26	26	26	26	26
Fire stations	3	3	3	3	3
Public works					
Arterial streets (miles)	35	35	35	35	35
Residential streets (miles)	82	82	82	82	82
Curb and gutter (miles)	240	240	240	240	240
Sidewalk (square feet)	1,001,000	1,001,000	1,001,000	1,001,000	1,000,000
Traffic signals	60	60	58	58	56
Sanitary sewer (miles)	121	121	121	121	120
Storm water catch basins	71	71	72	65	65
Street trees	9,576	9,589	9,637	9,754	9,900
Parking structure (spaces)	125	125	125	-	-
Culture and recreation					
Parks and recreation:					
Park acreage	53	57	57	57	57
Parks	8	9	9	9	9
Horse-walking trails	1	1	1	1	1
Nature trails	1	1	1	1	1
Playground areas	8	8	8	8	8
Swimming pools	2	2	2	2	2
Softball fields	3	3	3	4	4
Baseball fields	3	3	3	3	3
Basketball courts	10	10	10	5	5
Roller hockey rinks	2	2	2	2	2
Tennis courts	3	3	3	9	9
Buildings and centers	12	12	12	3	3
Library buildings	1	1	1	1	1
Transit					
Parking structure (vehicle spaces)	655	655	655	655	655
Parking lot (secured bicycle spaces)	36	36			
Transit vehicles	5	4			
Redevelopment and housing					
Transitional housing	1	1	1	1	1
Water utility					
Reservoirs	8	8	8	8	8
Pump stations	6	6	6	6	6
Water mains (miles)	102	102	102	102	102
Service meters	8,437	8,329	8,443	8,470	8,470
Fire hydrants	1,043	1,037	1,006	1,003	991

⁽¹⁾ Information provided by various departments for last four fiscal years. There are no capital asset statistics available for community development and environmental protection.

**City of Covina
Continuing Disclosure
Water System**

Fiscal Year Ended	Number of Water Accounts ⁽¹⁾
6/30/2010	8,178
6/30/2009	8,329
6/30/2008	8,443
6/30/2007	8,470
6/30/2006	8,470
6/30/2005	8,274

Water System Fund Revenues and Expenses ⁽²⁾						
	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010
Operating Revenue						
Charges for Services	5,073,656	5,229,321	5,518,403	6,155,131	5,460,462	6,625,803
Operating Expenses						
Sources of supply	1,630,000	2,528,918	2,034,423	2,715,495	1,567,518	2,135,247
Production & storage	425,281	400,153	479,730	541,948	570,553	446,230
Transmission & distribution	468,530	473,949	586,448	786,324	925,845	960,513
Customer acct & collections	258,545	260,100	222,195	276,628	377,026	424,001
Administrative & general	665,889	753,549	846,941	834,117	784,365	921,618
Depreciation	362,098	379,948	392,624	411,491	443,133	464,462
Total Operating Expenses	3,810,343	4,796,617	4,562,361	5,566,003	4,668,440	5,352,071
Net Revenues	1,263,313	432,704	956,042	589,128	792,022	1,273,732
1999 Installment Payments	261,405	255,243	258,715	256,665	254,148	251,190
Coverage	4.83	1.70	3.70	2.30	3.12	5.07

Water Rates ⁽¹⁾							
	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015
Minimum Charge:							
5/8" & 3/4"	12.42	12.79	28.48	29.65	30.87	31.90	33.24
1"	31.04	31.97	41.94	43.78	45.71	47.33	49.44
1-1/2"	62.08	63.94	64.36	67.32	70.43	73.04	76.43
2"	99.33	102.31	102.31	105.38	108.54	111.80	115.15
3"	186.25	191.84	191.84	197.59	203.52	209.63	215.92
4"	310.40	319.71	319.71	329.30	339.18	349.36	359.84
6"	620.82	639.44	639.44	658.44	678.39	698.74	719.70
8"	993.30	1,023.10	eliminated				
Charge per hundred cubic feet (hcf):							
5/8" & 3/4"	1.18	1.65					
Single Family (0-16 ccf)			2.25	2.37	2.49	2.58	2.71
Single Family (17+ ccf)			2.51	2.64	2.77	2.88	3.02
Multi-Family (0-12 ccf)			2.25	2.37	2.49	2.58	2.71
Multi-Family (13+ ccf)			2.46	2.59	2.71	2.82	2.96
Commercial/Institutional			2.62	2.76	2.89	3.01	3.16
Industrial/Manufacturing			2.28	2.39	2.51	2.61	2.74
Irrigation/Landscaping			2.62	2.76	2.89	3.01	3.16
City/Miscellaneous			2.29	2.40	2.52	2.62	2.75
Capital Improvements Projects Fee:							
5/8" & 3/4"	5.08	5.08	2.54	2.54	2.54	2.54	2.54
1"	12.72	12.72	6.36	6.36	6.36	6.36	6.36
1-1/2"	25.43	25.43	12.72	12.72	12.72	12.72	12.72
2"	40.69	40.69	32.55	32.55	32.55	32.55	32.55
3"	76.29	76.29	61.03	61.03	61.03	61.03	61.03
4"	127.14	127.14	101.71	101.71	101.71	101.71	101.71
6"	254.29	254.29	203.43	203.43	203.43	203.43	203.43
8"	406.86	406.86	eliminated				
Private Fire Standby Service:							
4"	17.77	17.77	18.57	19.31	20.08	20.88	21.71
6"	51.61	51.61	53.93	56.09	58.33	60.66	63.09
8"	109.99	109.99	114.94	119.54	124.32	129.29	134.46
10"	197.79	197.79	206.69	214.96	223.56	232.50	241.80

Largest Water Accounts ⁽¹⁾			
Customer	Type of Business	Revenue Received	% of total water sales
BRISAM COVINA LLC	Commercial	36,813.00	0.56%
RAYNE SOFT WATER SVC	Commercial	28,045.00	0.42%
VITAPAKT CITRUS PRODUCTS	Commercial	21,923.00	0.33%
EASTLAND TOWER	Commercial	20,431.00	0.31%
SONRISE CHRISTIAN SCHOOL	Commercial	17,883.00	0.27%
RICHARD HUNSAKER	Commercial	11,355.00	0.17%
CHICAGO PIZZA & BREWERY-BJ'S	Commercial	9,328.00	0.14%
MAIN ST CALIF INC	Commercial	8,803.00	0.13%
ALBERTSON'S #06557	Commercial	8,795.00	0.13%
AZUSA SHELL	Commercial	8,654.00	0.13%

(1) Information obtained from Water information system

(2) Information obtained from Covina Comprehensive Annual Financial Report

CITY OF COVINA, CALIFORNIA
Continuing Disclosure
Tax Allocation Bonds

Project Area 1				
Assessed Values⁽¹⁾		Secured	Unsecured	Total
	6/30/2010	684,872,669	64,122,959	748,995,628
Base Year		34,014,403	12,882,300	46,896,703
Net incremental assessed value		650,858,266	51,240,659	702,098,925
Pending Appeals		(5,224,749)		

Project Area 2				
Assessed Values⁽¹⁾		Secured	Unsecured	Total
	6/30/2010	178,671,611	9,665,205	188,336,816
Base Year		25,788,445	5,603,918	31,392,363
Net incremental assessed value		152,883,166	4,061,287	156,944,453
Pending Appeals		(2,654,420)		

Tax Increment Revenue⁽¹⁾	Project Area 1	Project Area 2
Gross Tax Increment	7,140,600	1,605,257
20% Low Mod Housing Set Aside	(1,428,120)	(321,051)
Administration Expense	(107,071)	(26,793)
Pass Through	(216,258)	(656,825)
Inflationary Growth	-	(76,772)
Net Tax Increment Received	<u>5,389,151</u>	<u>523,816</u>

Debt Service Payments⁽²⁾		
1997A Bond Principal	-	70,000
1997A Bond Interest	-	75,011
1997B Bond Principal	300,000	-
1997B Bond Interest	188,235	-
2002A Bond Principal	300,000	-
2002A Bond Interest	145,063	-
2004A Bond Principal	650,000	-
2004A Bond Interest	621,946	-
2004B2 Bond Principal	715,000	-
2004B2 Bond Interest	86,065	-
Total Debt Service	<u>3,006,309</u>	<u>145,011</u>

Debt Service Coverage	1.79	3.61
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(1) Information obtained from Los Angeles County/HdL Companies

(2) Information obtained from Official Statements of bonds issued